

# **New Hampshire Insurance Department (NHID) Public Hearing Concerning Premium and Claim Cost Drivers in the Health Insurance Market**

**Friday, October 25th, 2019  
9:00 am - 12:30 pm**

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**University of New Hampshire Franklin Pierce  
Law School  
2 White Street, Concord, NH**

# New Hampshire Insurance Department 2018 Preliminary Report of the Health Care Premium and Claim Cost Drivers

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OCTOBER 25, 2019

JENN SMAGULA FSA, MAAA

GORMAN ACTUARIAL, INC.

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# Goal of Annual Hearing & Report

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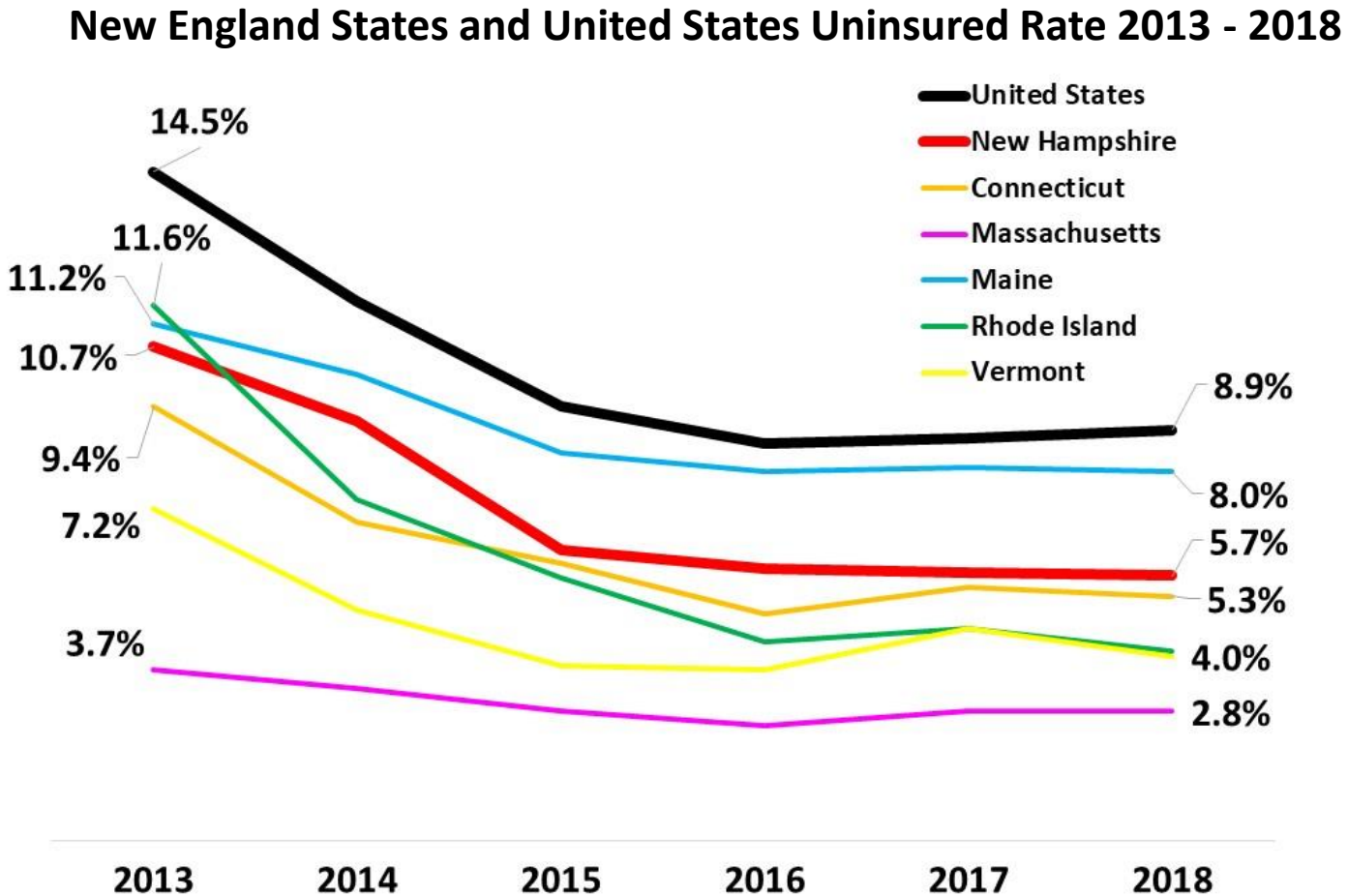
In May 2010, New Hampshire passed RSA 420-G:14-a, V-VII (Chapter 240 of the laws of 2010, an act requiring public hearings concerning health insurance cost increases). In 2014, SB 345 amended Section VI: “The commissioner shall prepare an annual report concerning premium rates in the health insurance market and the factors that have contributed to rate increases during prior years.”

The report shall be based on the analysis of information and data, including items such as medical loss ratios, cost of medical care by payment type and insurance premiums by network, among other things.

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# Overview of Markets and National Comparisons

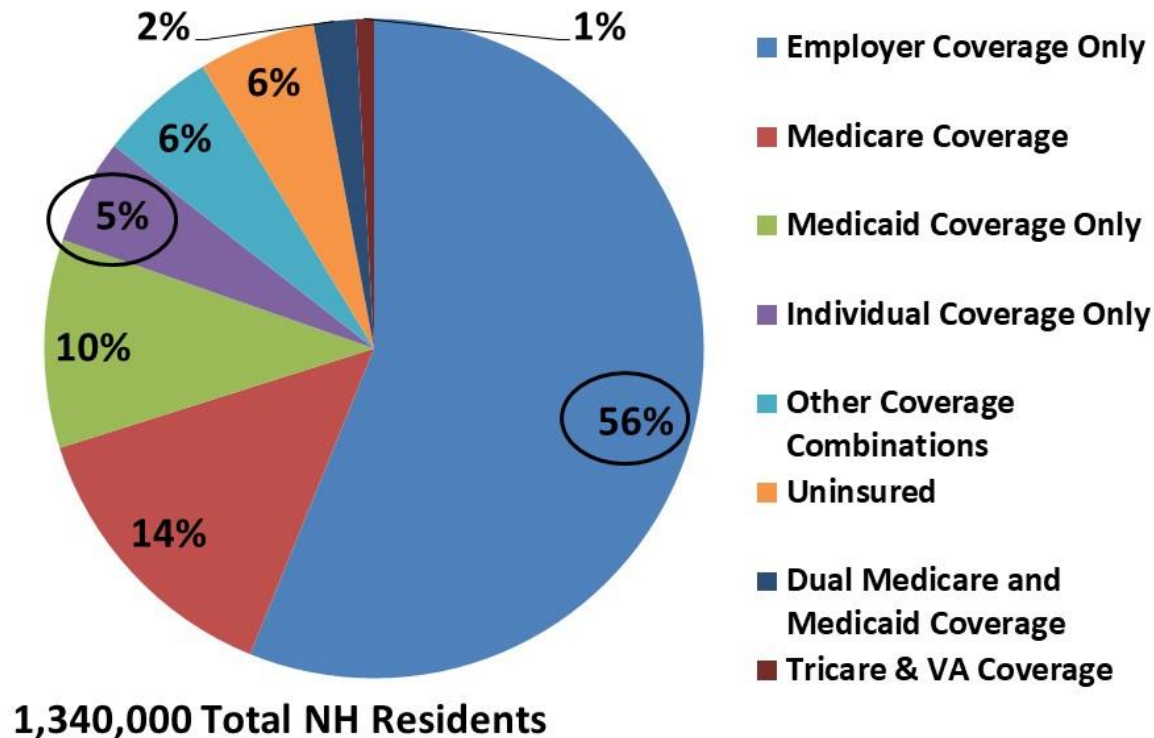
In both the United States and NH, there was little change in the uninsured rate from 2017 to 2018.



Data Source: U.S. Census Bureau, American Community Survey 1-Year Estimate for 2013-2018.

Approximately 61%, or 821,000, residents in NH received health insurance through the private insurance market, either through their employer or by purchasing their own coverage.

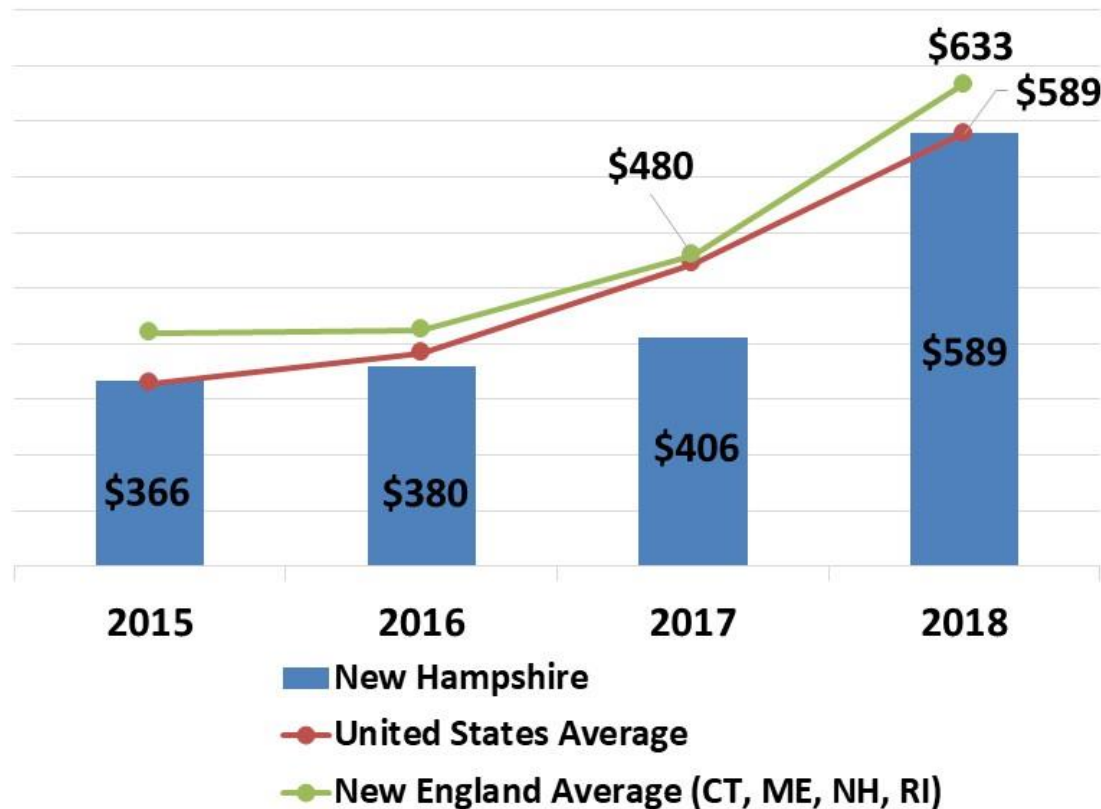
**New Hampshire Residents by Health Insurance Status in 2018**



Source: U.S. Census Bureau. 2018 American Community Survey 1-Year Estimate.

# Average premiums in the Individual Market increased significantly both in NH and across the United States in 2018.

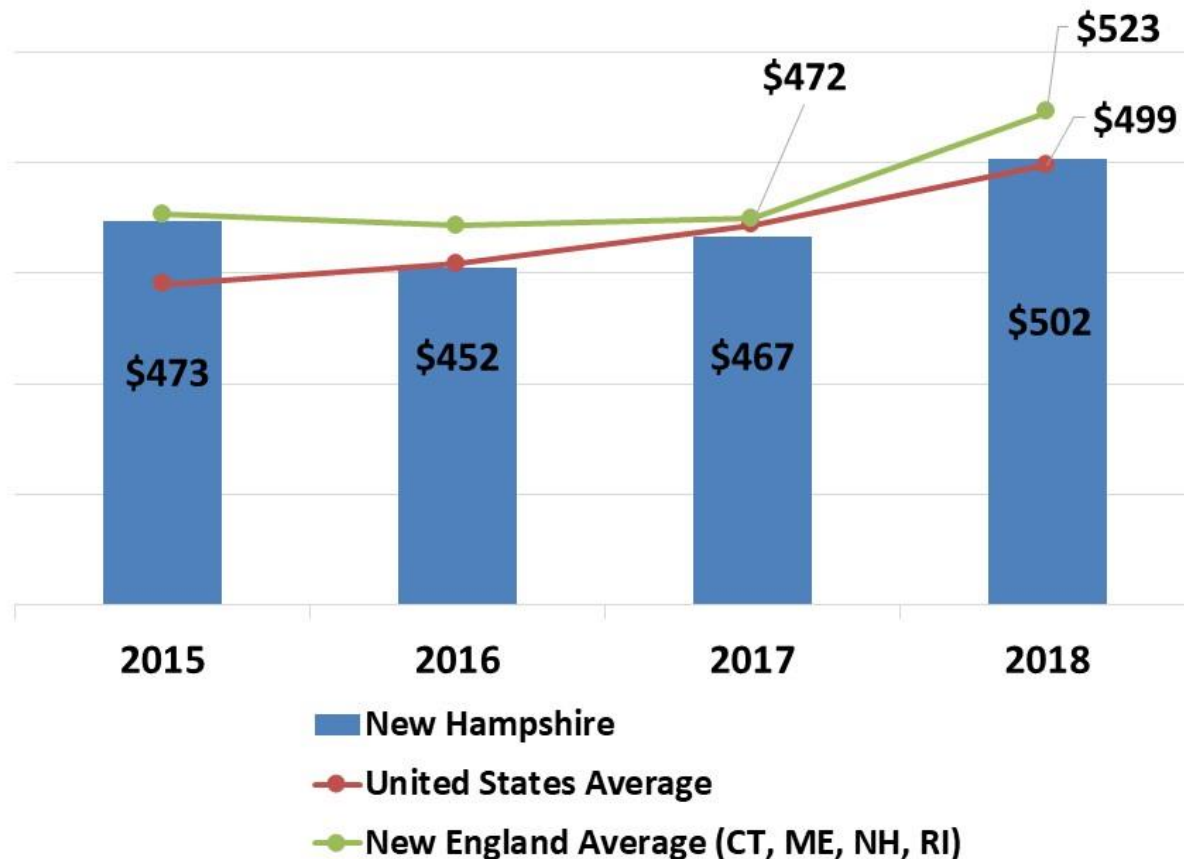
## Individual Market Average Premium PMPM Adjusted for MLR Rebates



Source: Centers for Medicare and Medicaid Services. Risk Adjustment Report. 2015, 2016, 2017 and 2018 benefit years.

In the Small Group Market, NH average premiums were close to the US average in 2018, similar to last year.

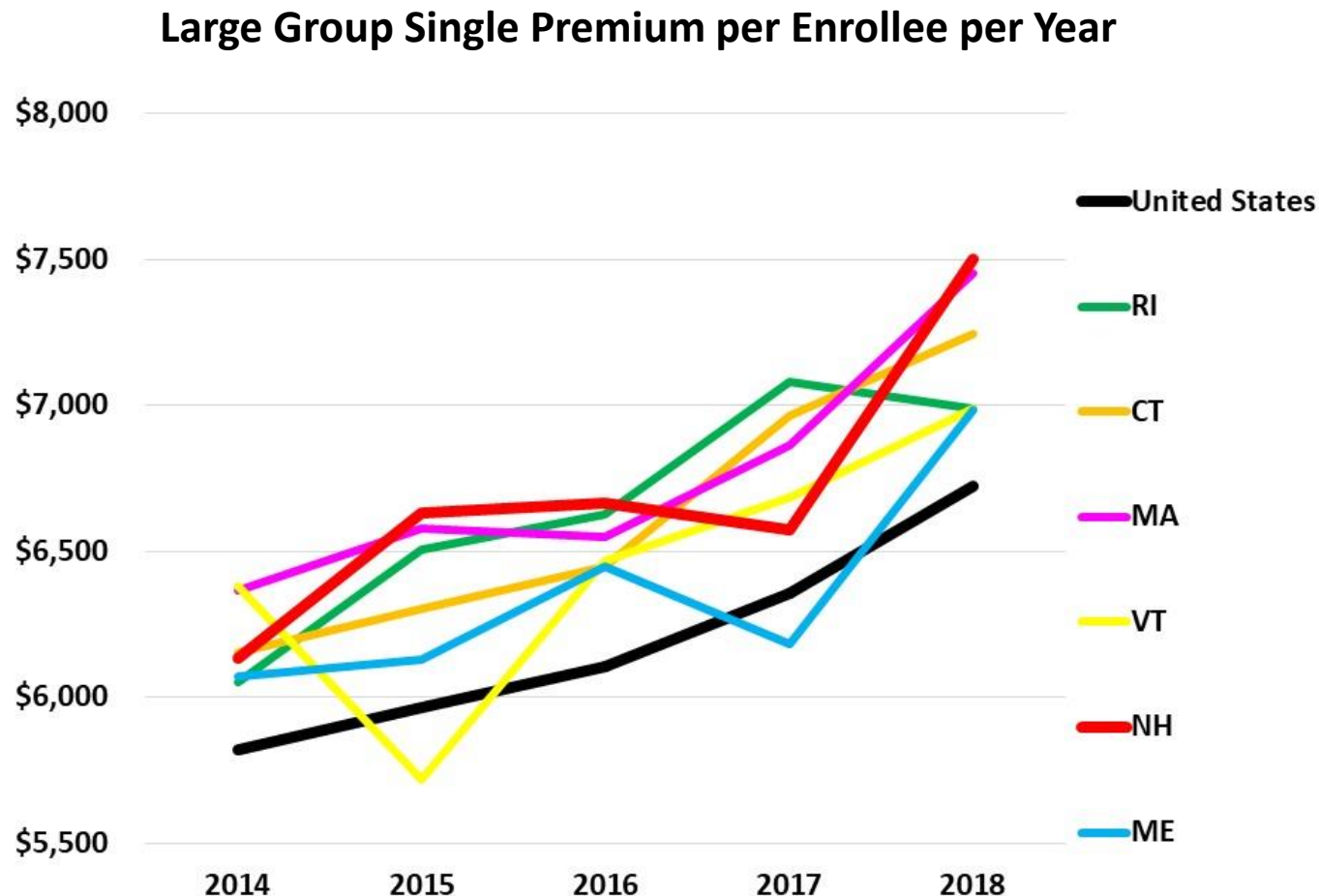
### Small Group Market Average Premium PMPM Adjusted for MLR Rebates



Source: Centers for Medicare and Medicaid Services. Risk Adjustment Report. 2015, 2016, 2017 and 2018 benefit years.



# In the Large Group Market, NH consistently had higher average premiums than the United States average.



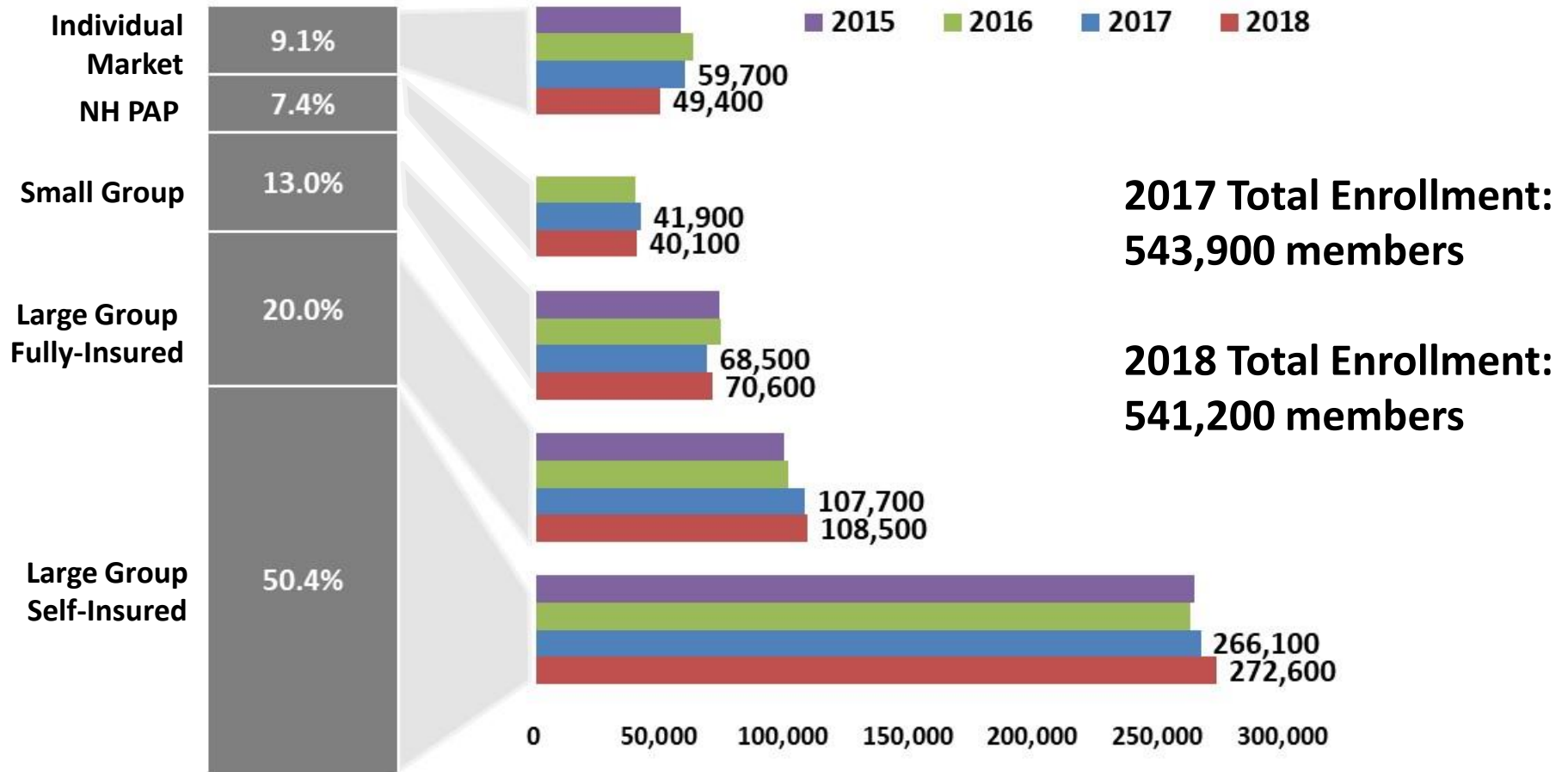
Source: 2014 – 2018 Medical Expenditure Panel Survey Insurance Component.

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# Coverage Shifts

There was growth in employer-sponsored insurance plans, led by growth in the Self-Insured Market coupled with membership losses in the Individual Market.

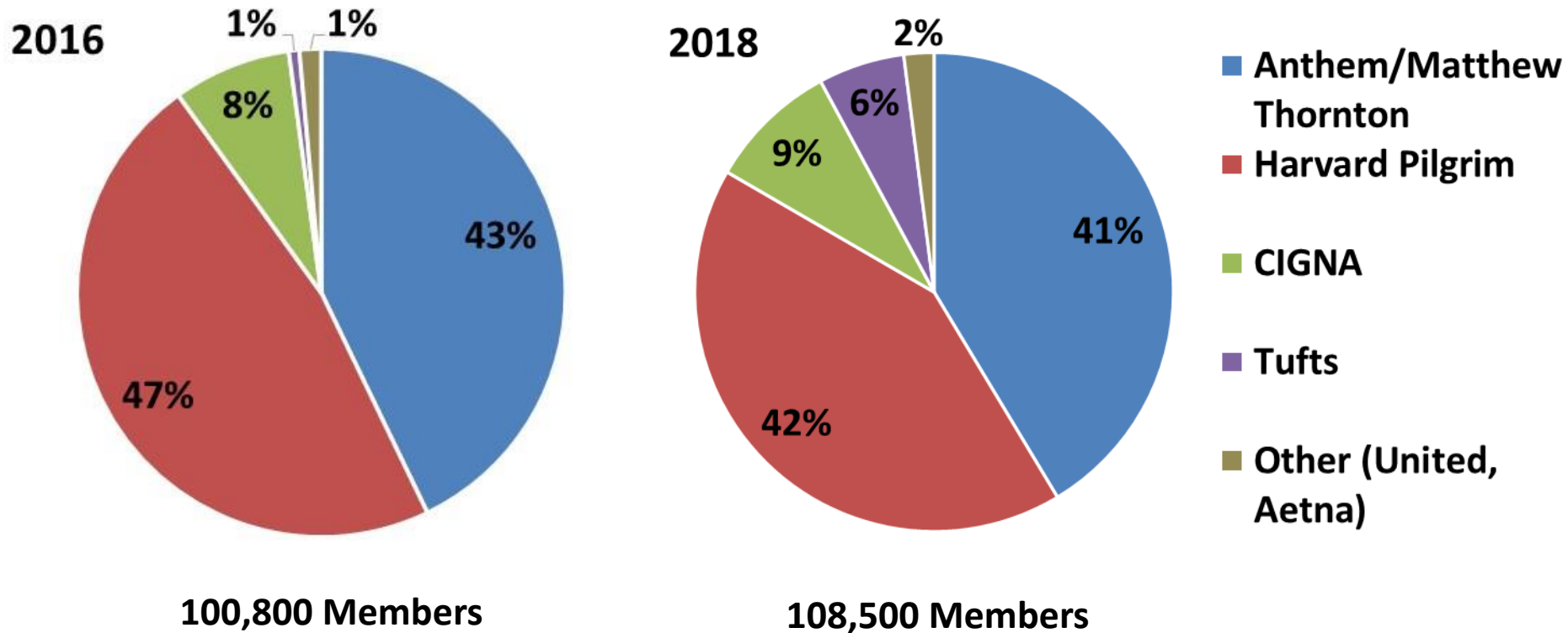
Commercial Market Enrollment by Segment, 2015 - 2018



Source: NHID 2015 - 2018 Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population.

# Tufts gained market share in the Fully-Insured Large Group Market 2016 to 2018.

Distribution by Insurer of Large Group Situs and Fully-Insured

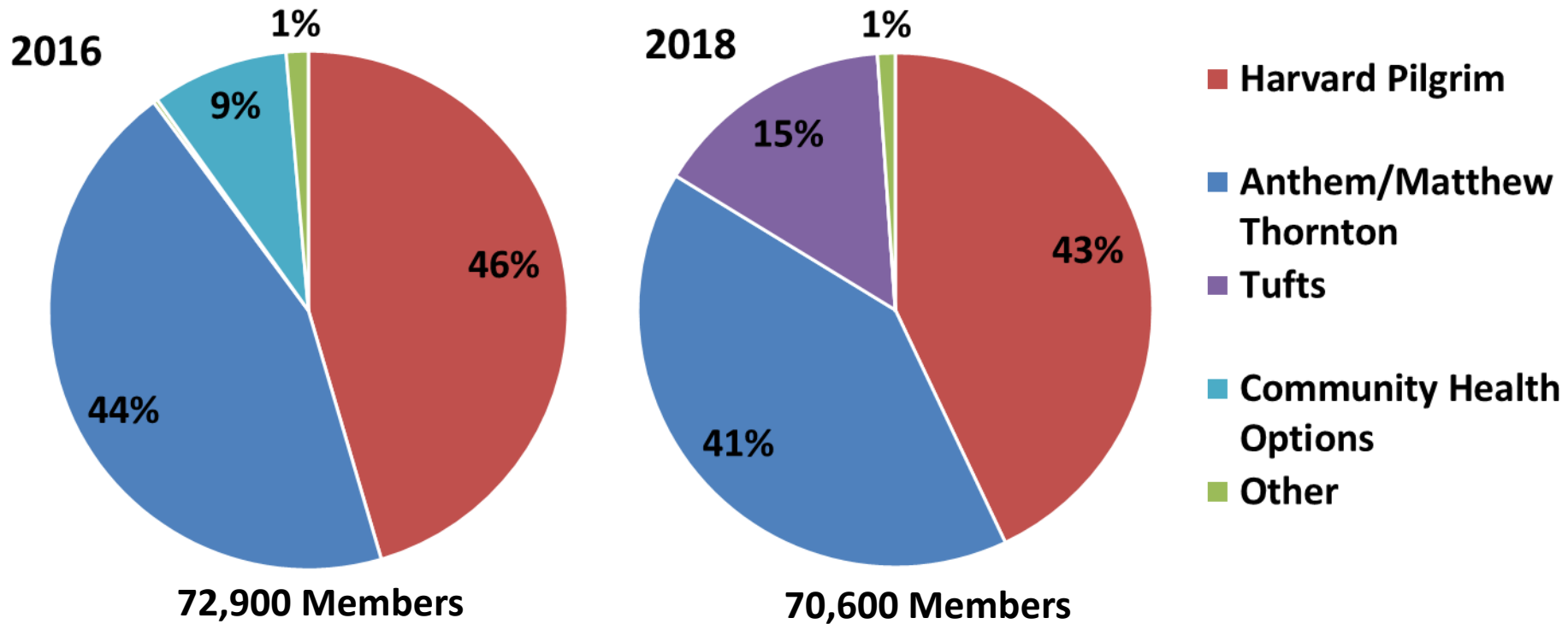


*Note: Values may not total to 100% due to rounding.*

Source: NHID 2016 and 2017 Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population.

Overall membership in the Small Group Market has decreased from 2016 to 2018. Tufts greatly increased their market share from less than 1% in 2016 to 15% in 2018.

**Distribution by Insurer of Small Group Situs and Fully-Insured**

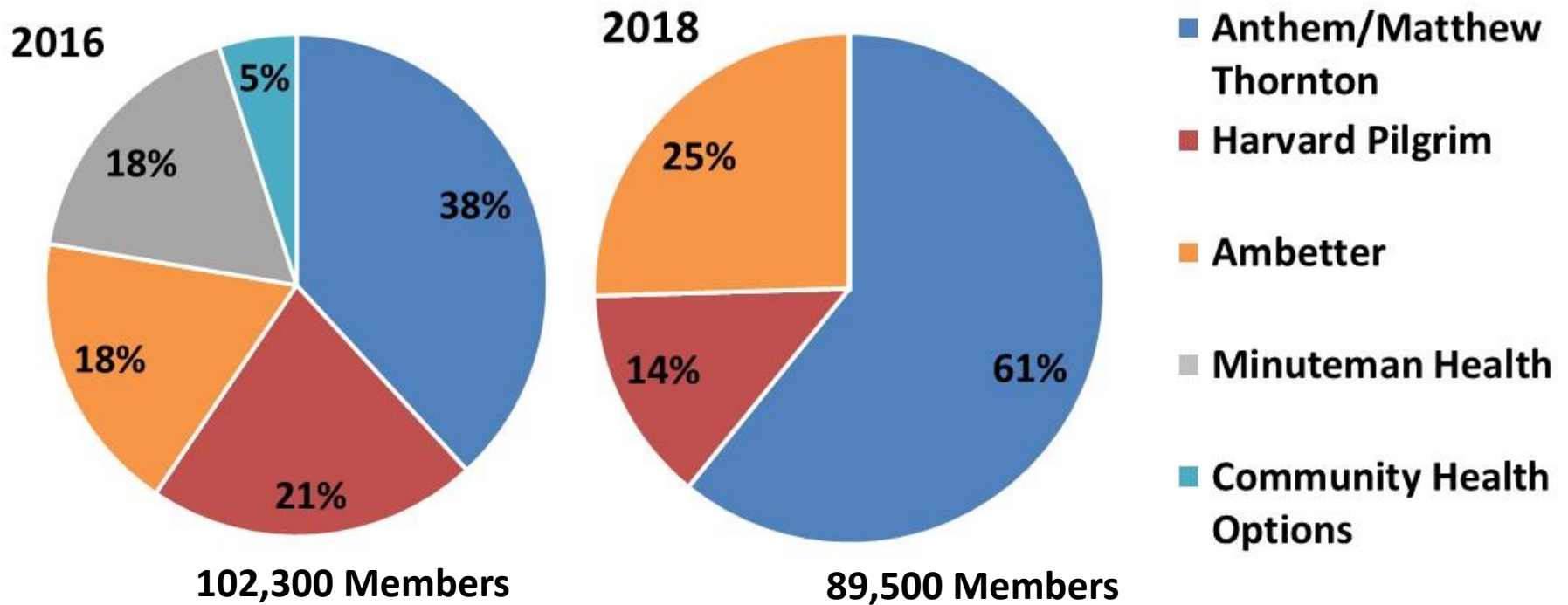


*Note: Values may not total to 100% due to rounding.*

Source: NHID 2016 and 2018 Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population.

In 2016, the Individual Market had five insurers participating. This has dropped to three insurers in 2018.

**Distribution by Insurer of Individual and NH PAP**

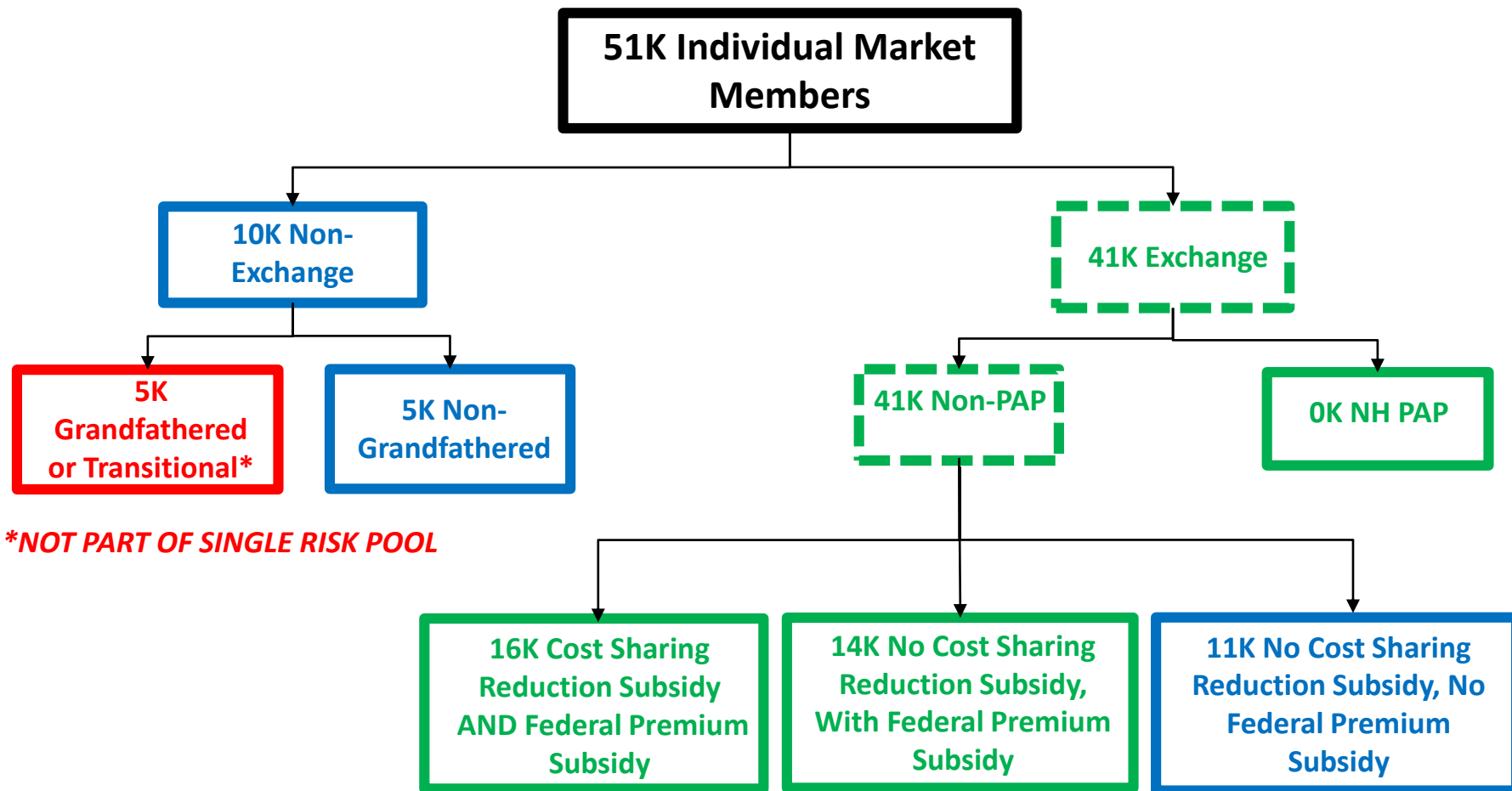


*Note: Values may not total to 100% due to rounding.*

Source: NHID 2016 and 2018 Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP population.

# The Individual Market is diverse.

## 2019 Individual Market Membership

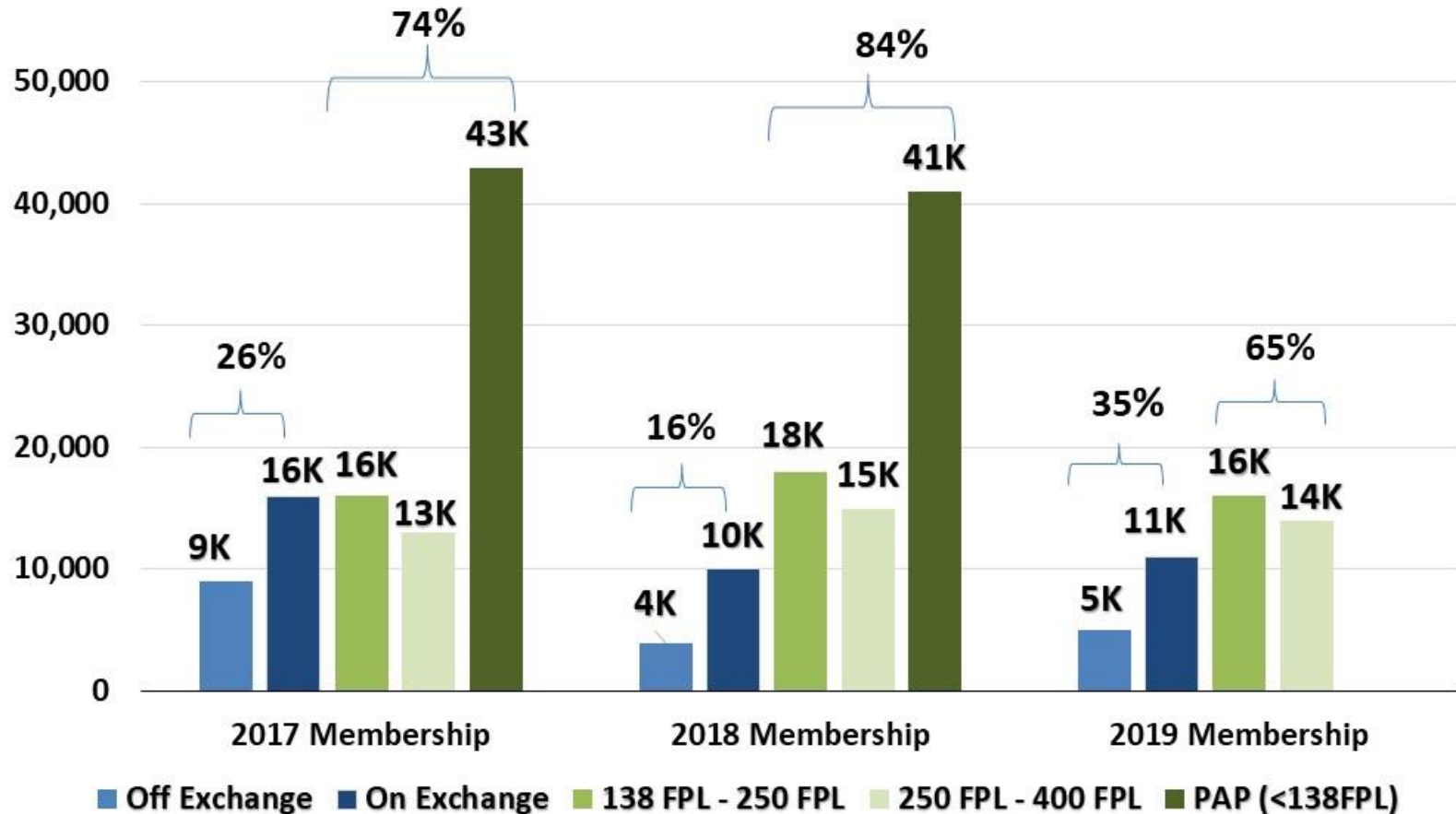


*\*NOT PART OF SINGLE RISK POOL*

Source: NHID Annual Hearing data 2019.

# In 2019, 65% of the Individual Market received some form of subsidies towards health insurance.

2017 - 2019 Individual Market Single Risk Pool Membership

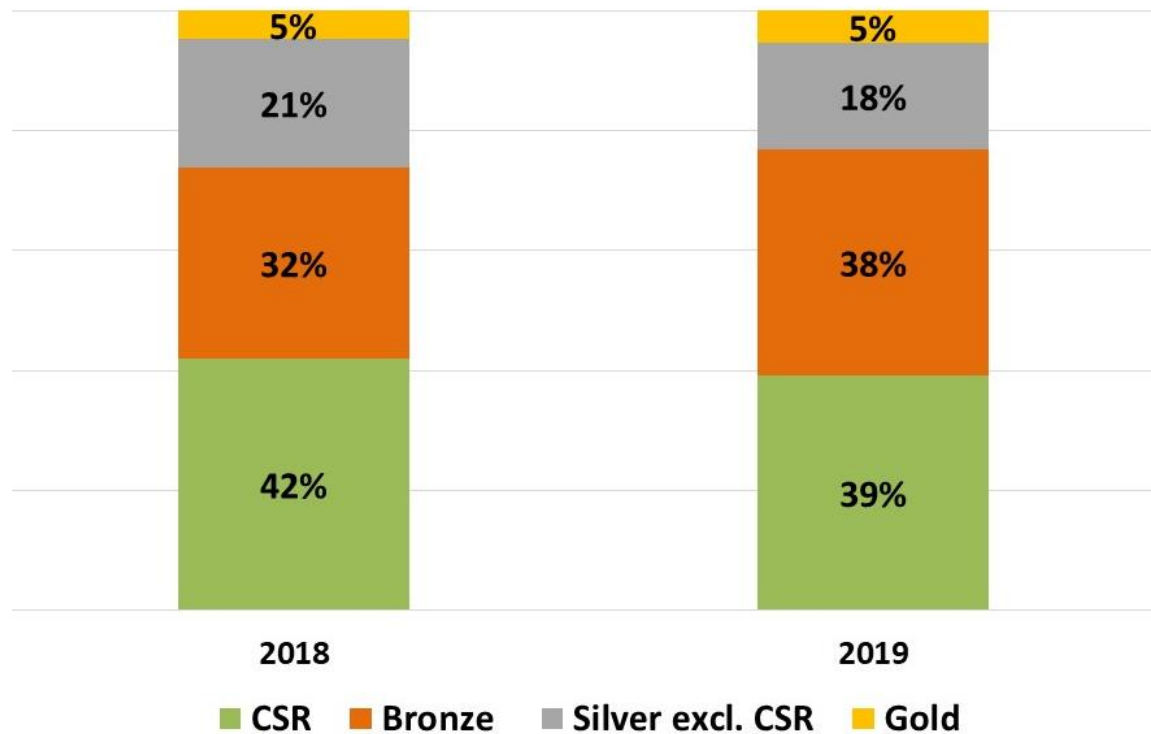


Source: NHID Annual Hearing data 2017, 2018 and 2019. Note this chart only represents the Single Risk Pool.



# From 2018 to 2019, membership in the Individual Market Exchange shifted away from Silver towards Bronze plans.

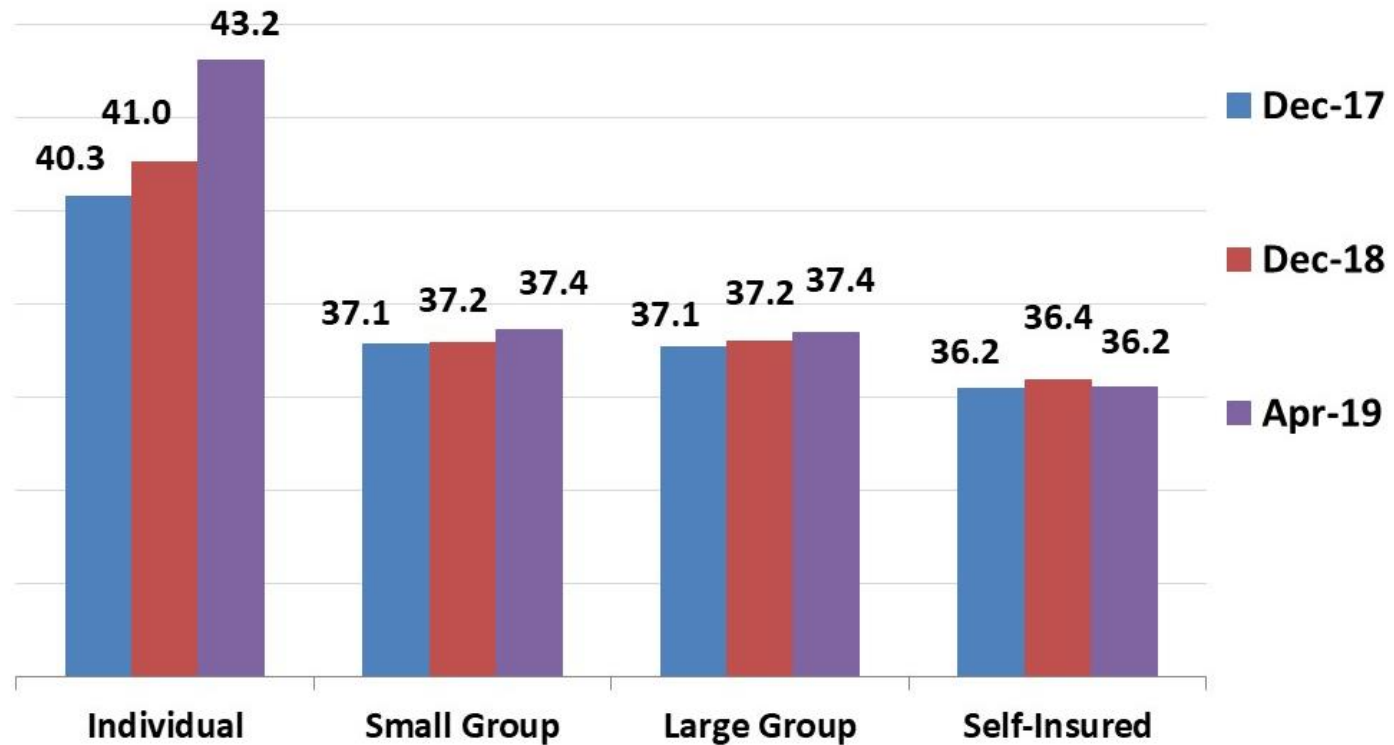
**2018 and 2019 Individual Market Exchange Membership by Metal Level**



Source: NHID Marketplace Enrollment Reports as of July each year. CSR membership collected from SDR and NHID Annual Hearing data requests. Excludes NH PAP and catastrophic membership.

The average age in the Individual Market increased slightly in 2018 and again in 2019. The significant increase in 2019 was due to the end of NH PAP as of 12/31/2018.

**Average Member Age by Market Segment**



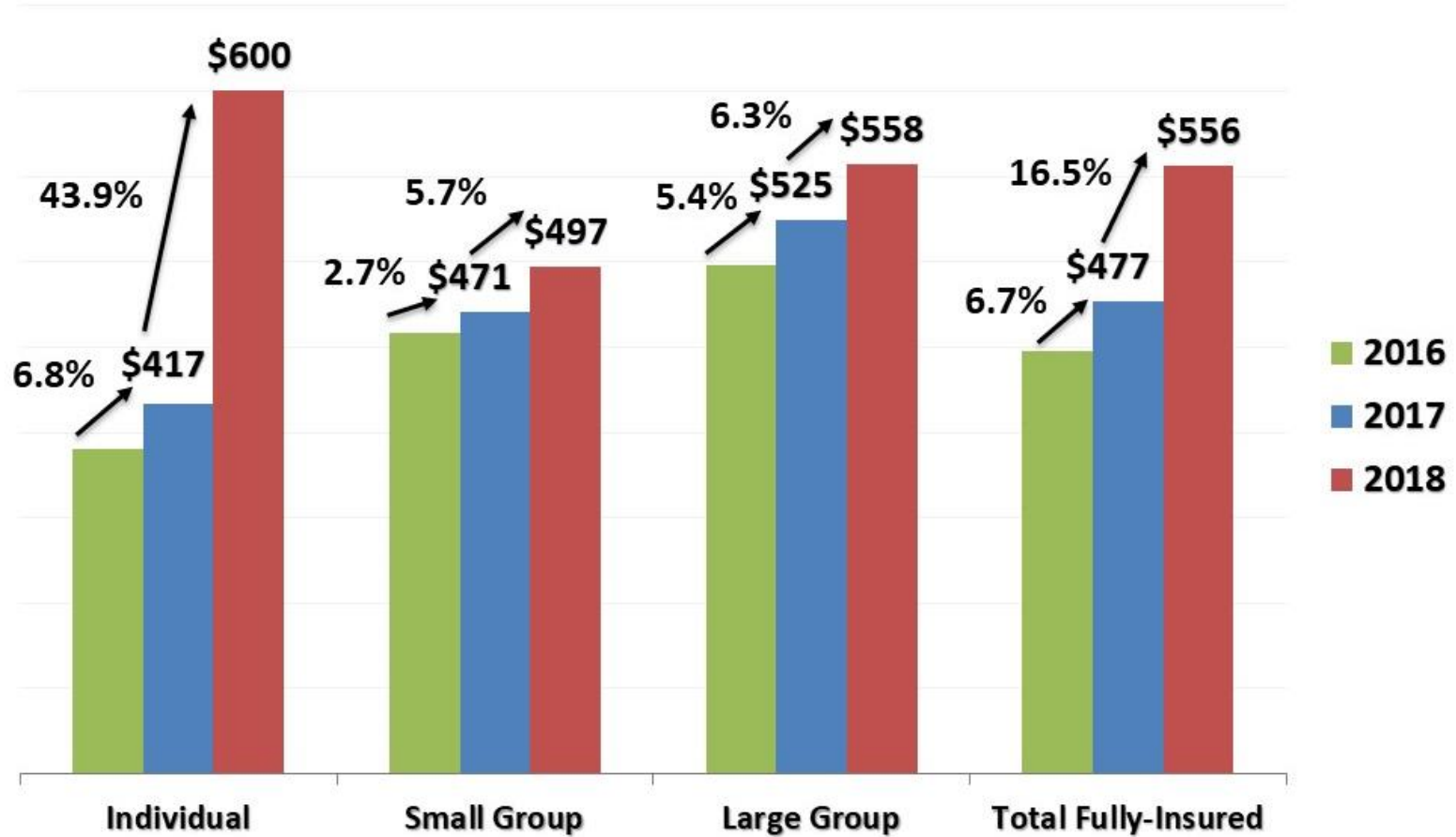
Source: NHID Annual Hearing data 2017, 2018, and 2019; Excludes FEHBP.

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# Premium and Cost Sharing

# Average premiums in the Fully-Insured Market increased 16.5% from 2017 to 2018, led by increases in the Individual Market.

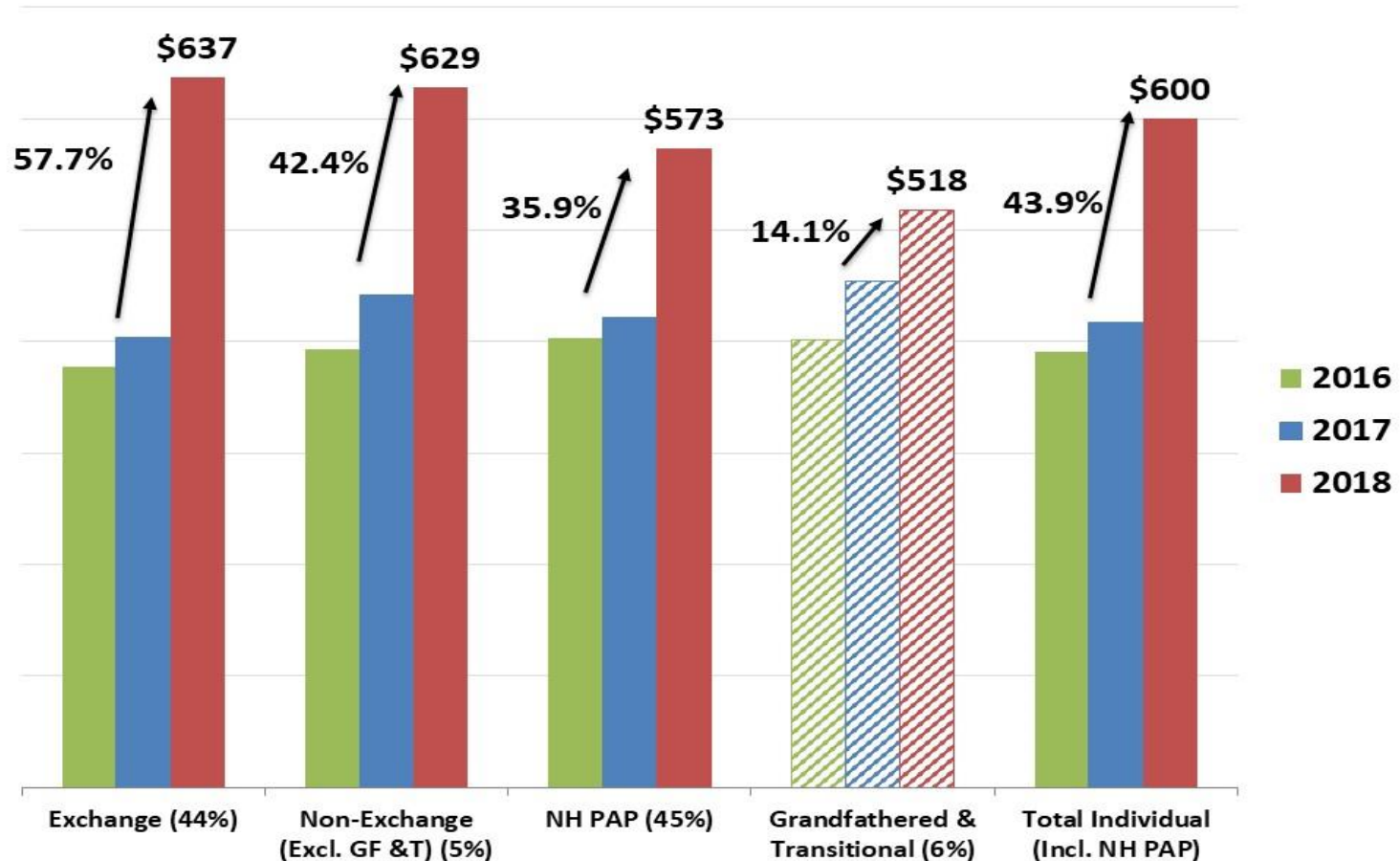
Fully-Insured Commercial Unadjusted Earned Premium PMPM by Market Segment



Source: NHID Supplemental Data Request; Commercial fully-insured population including New Hampshire situs membership only. Excludes FEHBP population.

Average premiums in the Individual Market increased 43.9% from 2017 to 2018, led by increases in the Exchange Market.

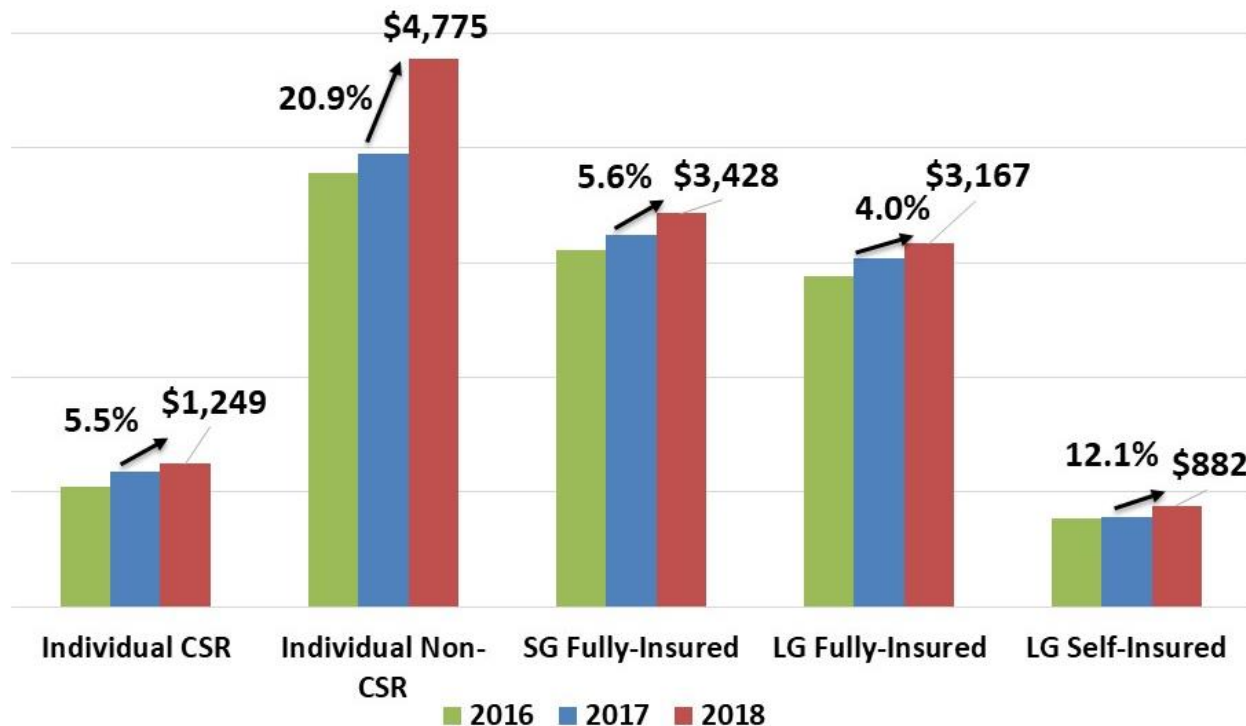
### Individual Market Premiums PMPM Prior to Subsidies



Source: NHID Supplemental Data Request; Commercial fully-insured population including New Hampshire situs membership only.

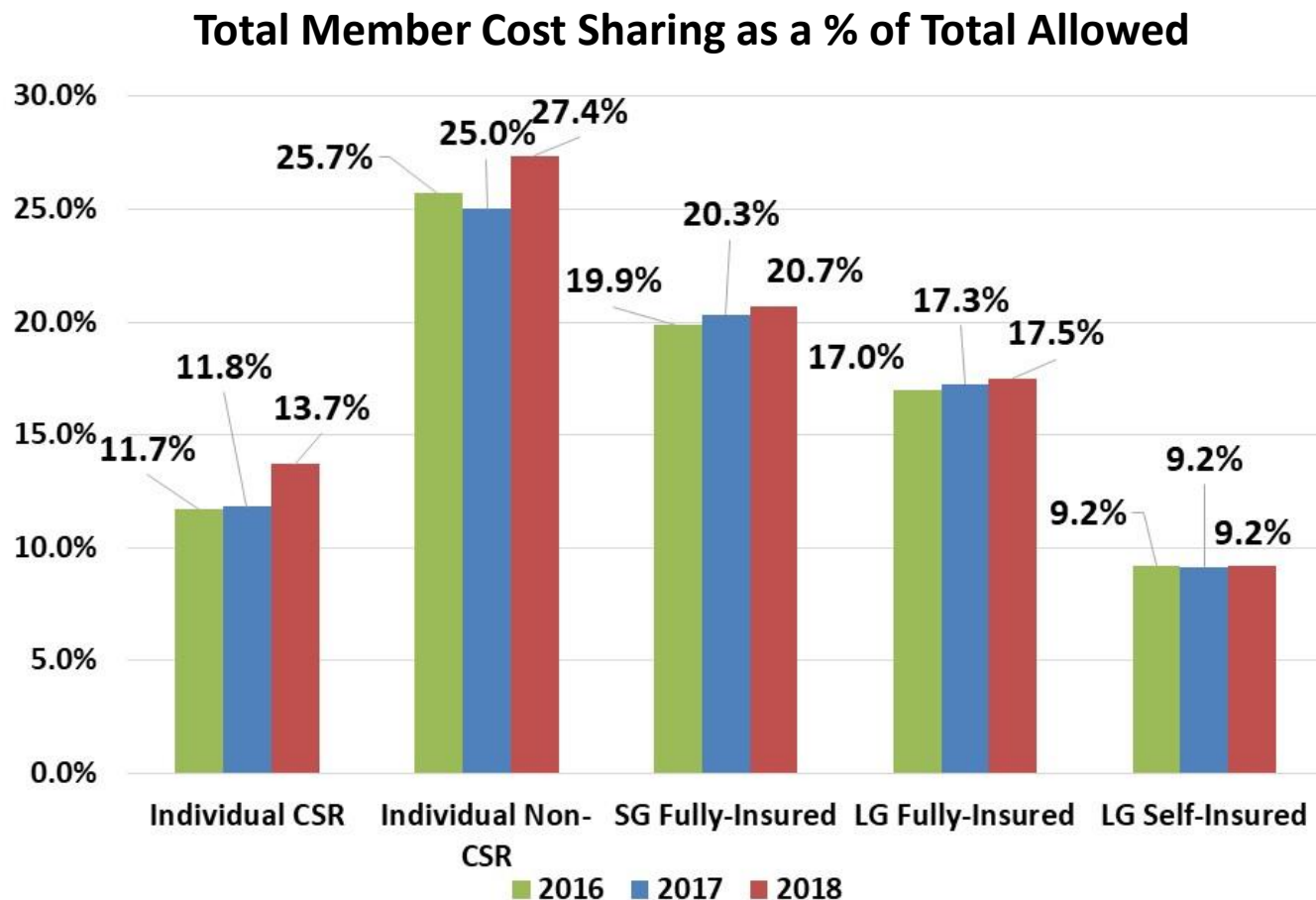
Average deductibles increased in all segments from 2017 to 2018. The Individual Market without CSR subsidies had the highest average deductible and highest increase.

### Comparison of Average Single Deductible by Market Segment



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEHBP population. Data shown is for single, in-network coverage and includes zero dollar deductibles.

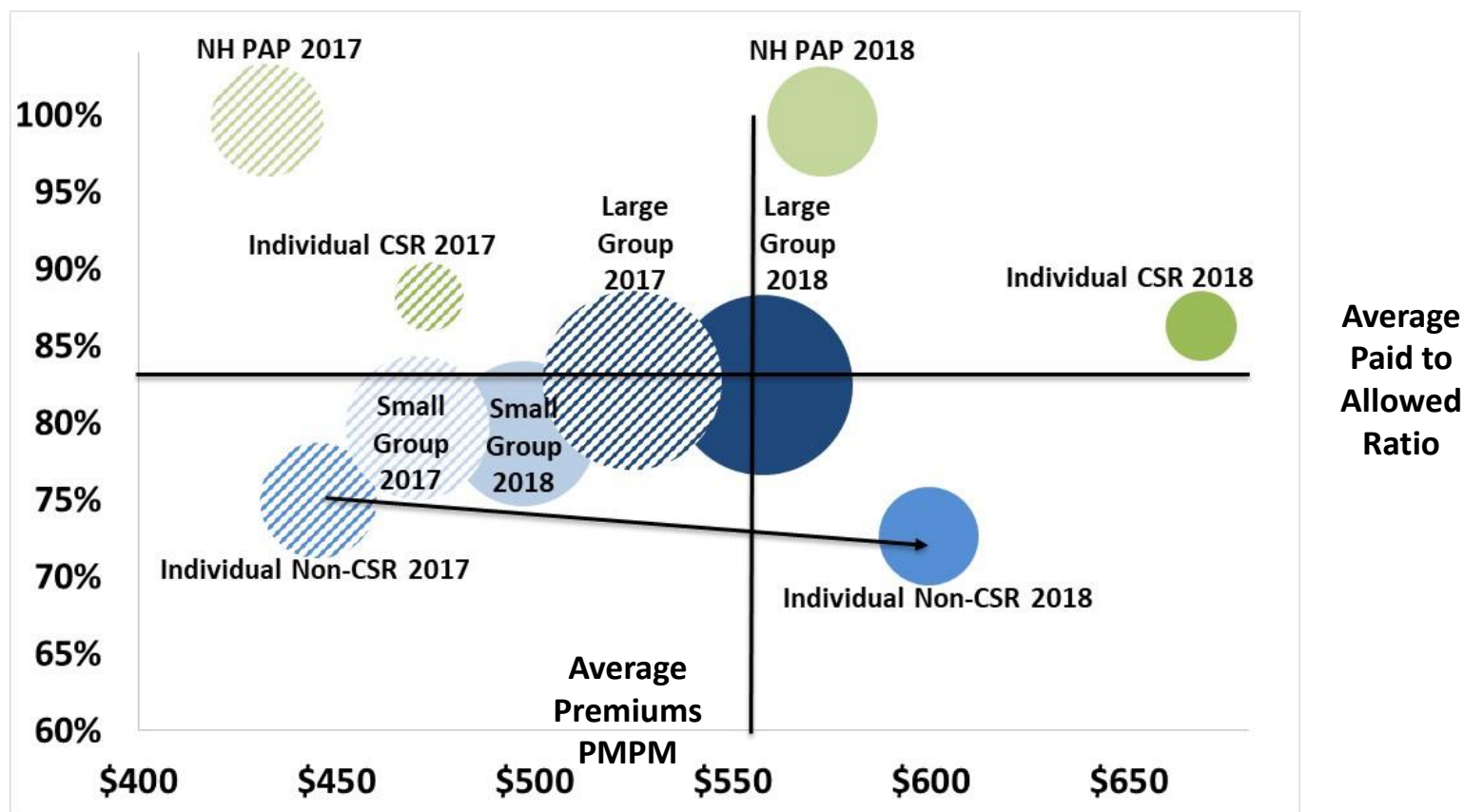
Total member cost sharing as a percentage of total allowed claims increased in the Individual Market without CSR from 25.0% in 2017 to 27.4% in 2018.



Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes NH PAP and FEHBP population. Data shown is for single, in-network coverage and includes zero dollar deductibles.

The Individual Market without CSR experienced large premium increases and now has higher premiums than the Group Markets but their benefit richness is still lower.

2017 and 2018 Fully-Insured Premium Levels vs. Paid to Allowed Claims Ratio

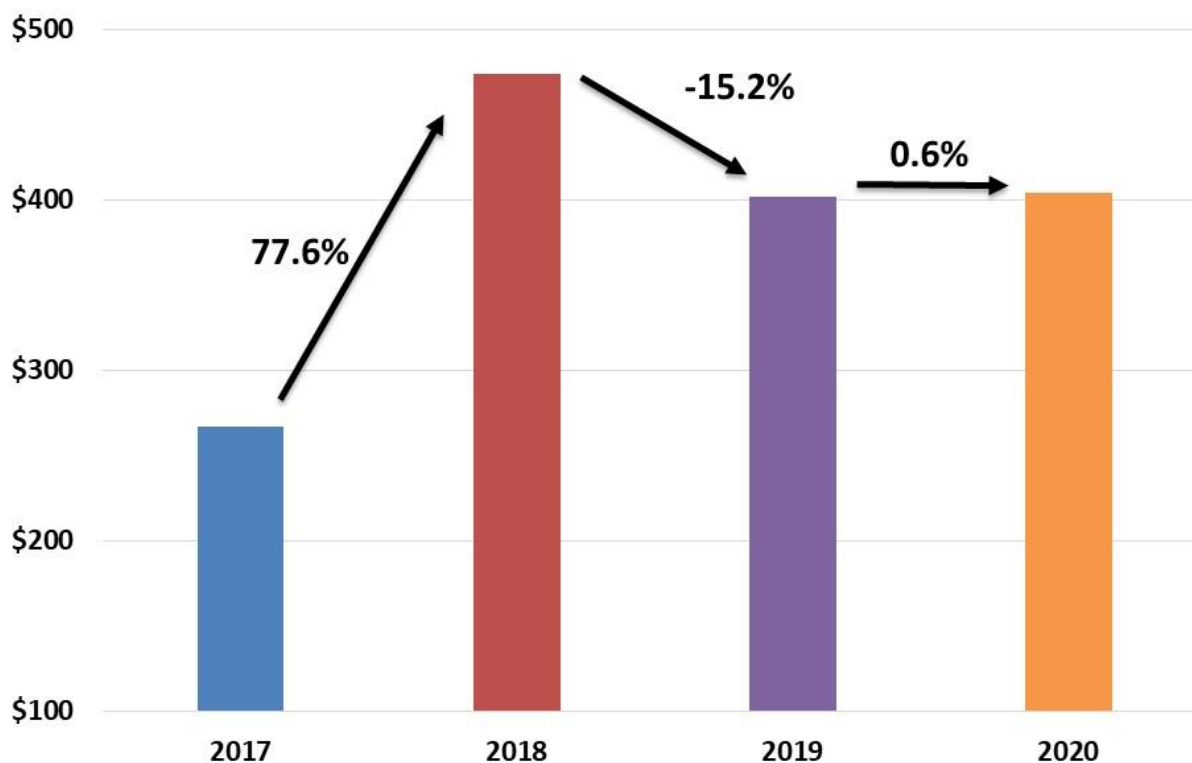


Source: NHID Supplemental Data Request; Commercial population including New Hampshire situs membership only. Excludes FEHBP. Includes estimate of Minuteman.



The 2019 and 2020 rate changes in the Individual Market's second lowest cost silver plan are favorable but do not negate the significant rate increase in 2018.

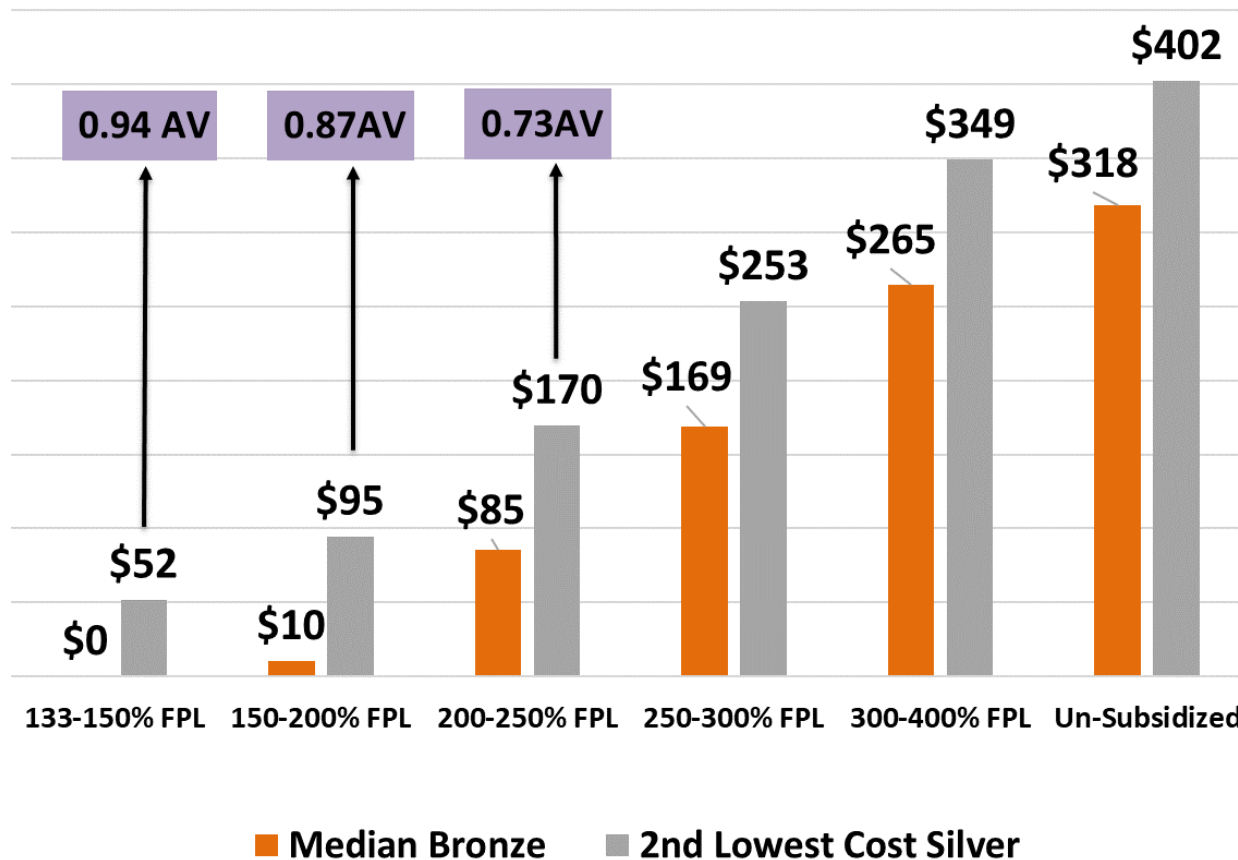
**Individual Market Monthly Second Lowest Cost Silver Rate for 40-Year-Old Non-Tobacco User**



Source: Average Monthly Premiums for Second Lowest Cost Silver Plan released by CMS 10/22/2019. Translated to represent 40-year-old rather than 27-year-old.

# Non-subsidized individuals pay more than subsidized individuals.

## 2019 Illustrative Monthly Premium 40-Year-Old Single Policyholder



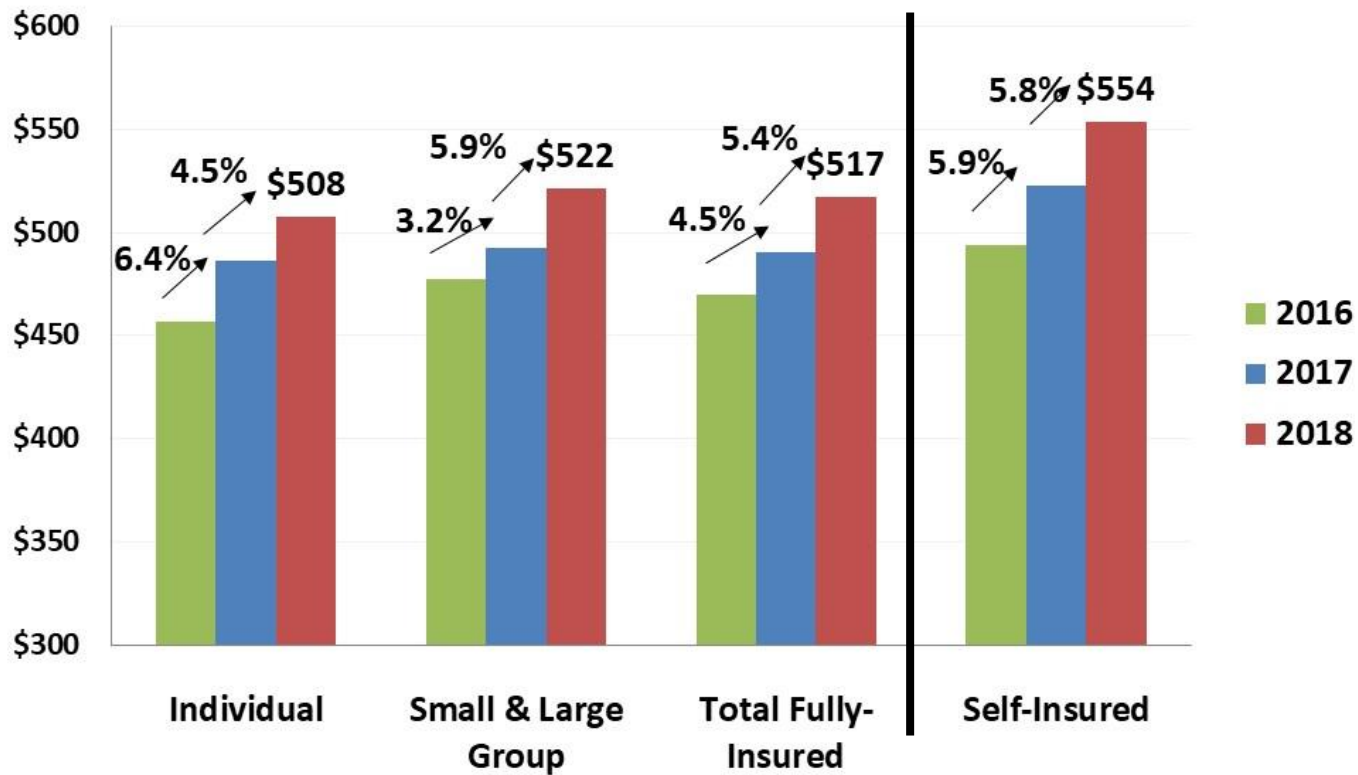
These charts assume the age of the adult enrollee is 40 and that the APTC enrollees are enrolled in the 2nd lowest cost silver plan or median bronze plan.

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# Claim Trends and Utilization

Overall trends in the Fully-Insured Market were higher in 2018 compared to the trends in 2017 led by the Group Markets.

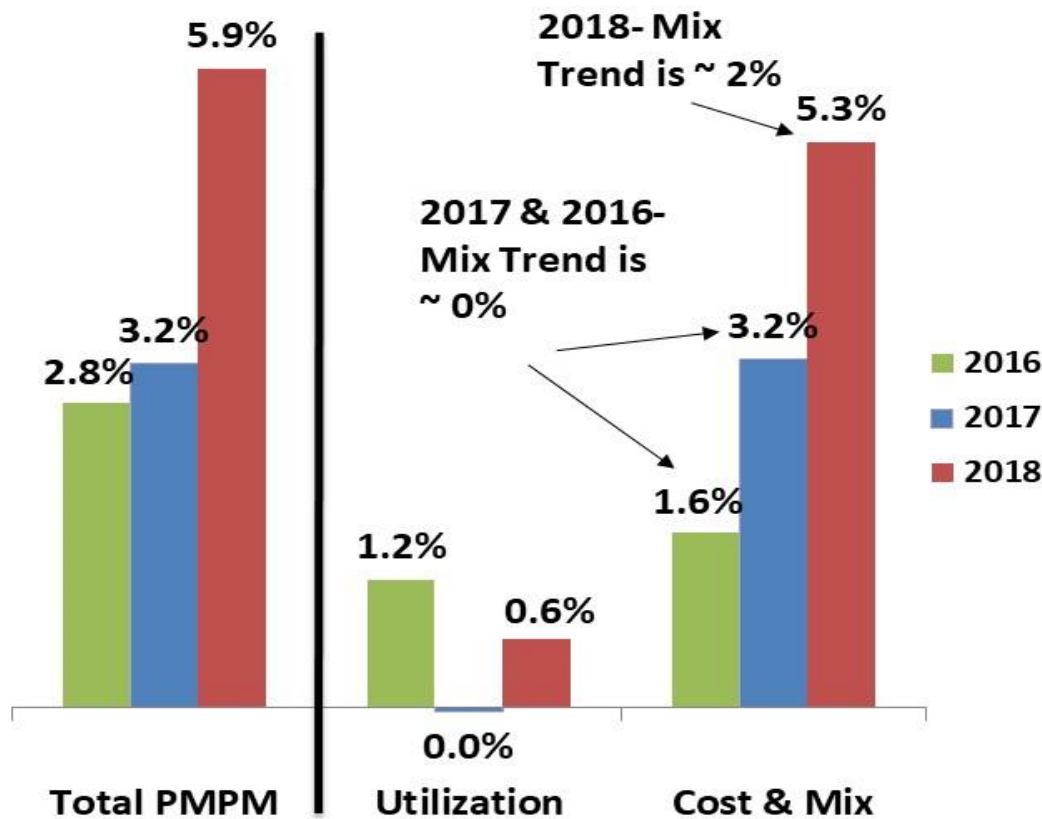
### Observed Allowed Claims PMPM



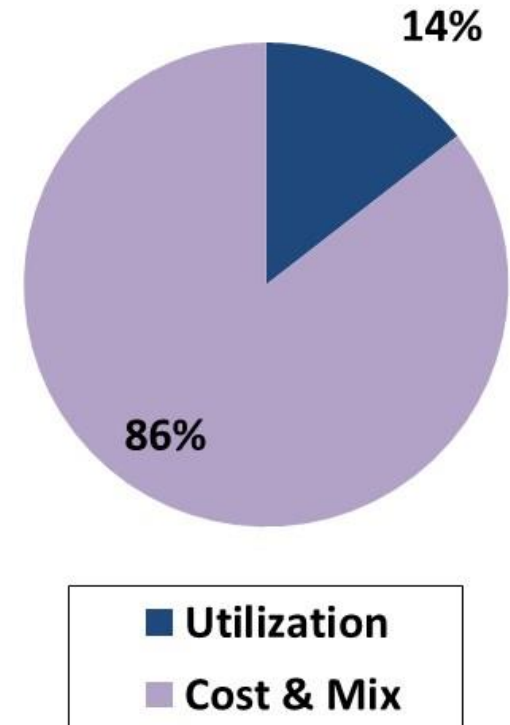
Source: NHID Annual Hearing data 2018 and 2019, including NH PAP. The 2017 values for Minuteman were based on limited data with adjustments from additional external sources. Self-Insured data is from the NHID Supplemental Data Request.

2018 trends in the Group Markets were higher than 2017 trends primarily driven by increases to the mix portion of trend.

### Fully-Insured Allowed Claims Trend - Small and Large Group Markets



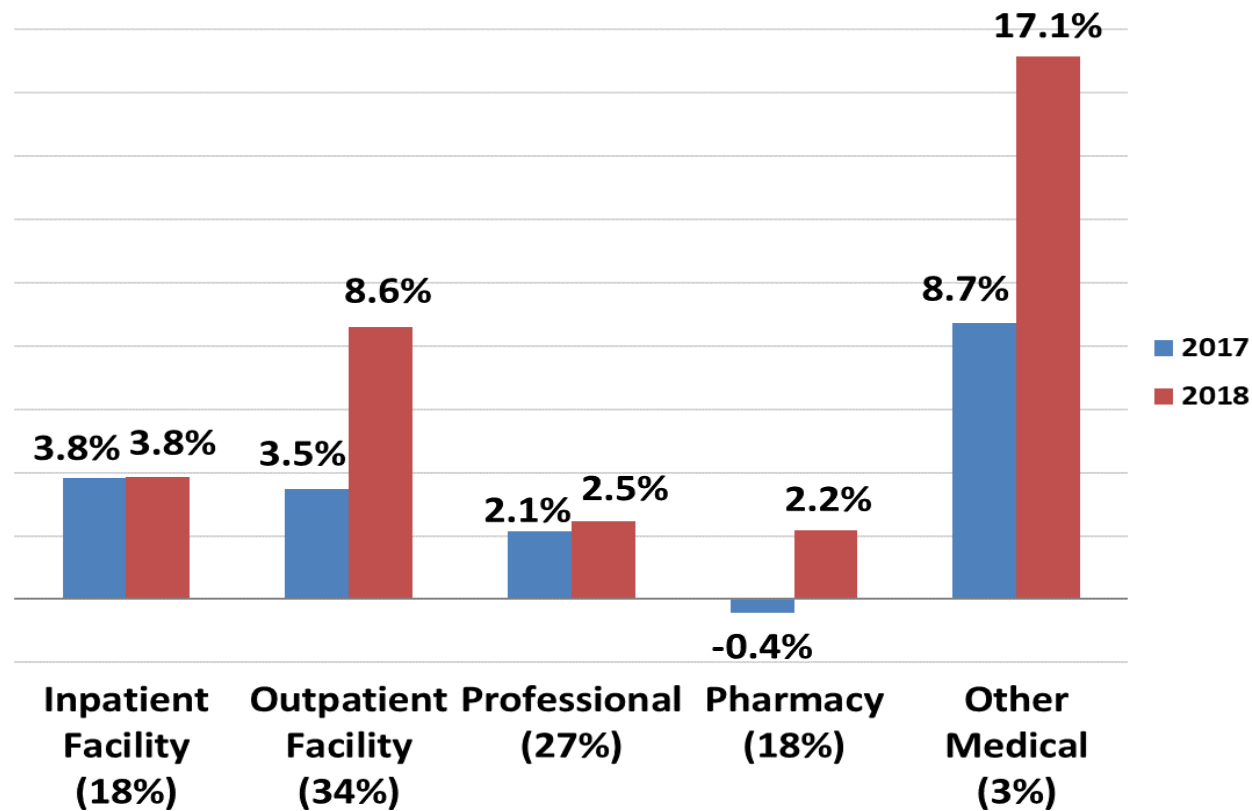
### Utilization and Cost & Mix Trends over 3 years



Source: NHID Annual Hearing data 2018 and 2019.

Outpatient Facility trends increased significantly from 2017 to 2018 in the Group Markets. In addition to specialty drugs, insurers cited high-tech radiology and surgery as key drivers.

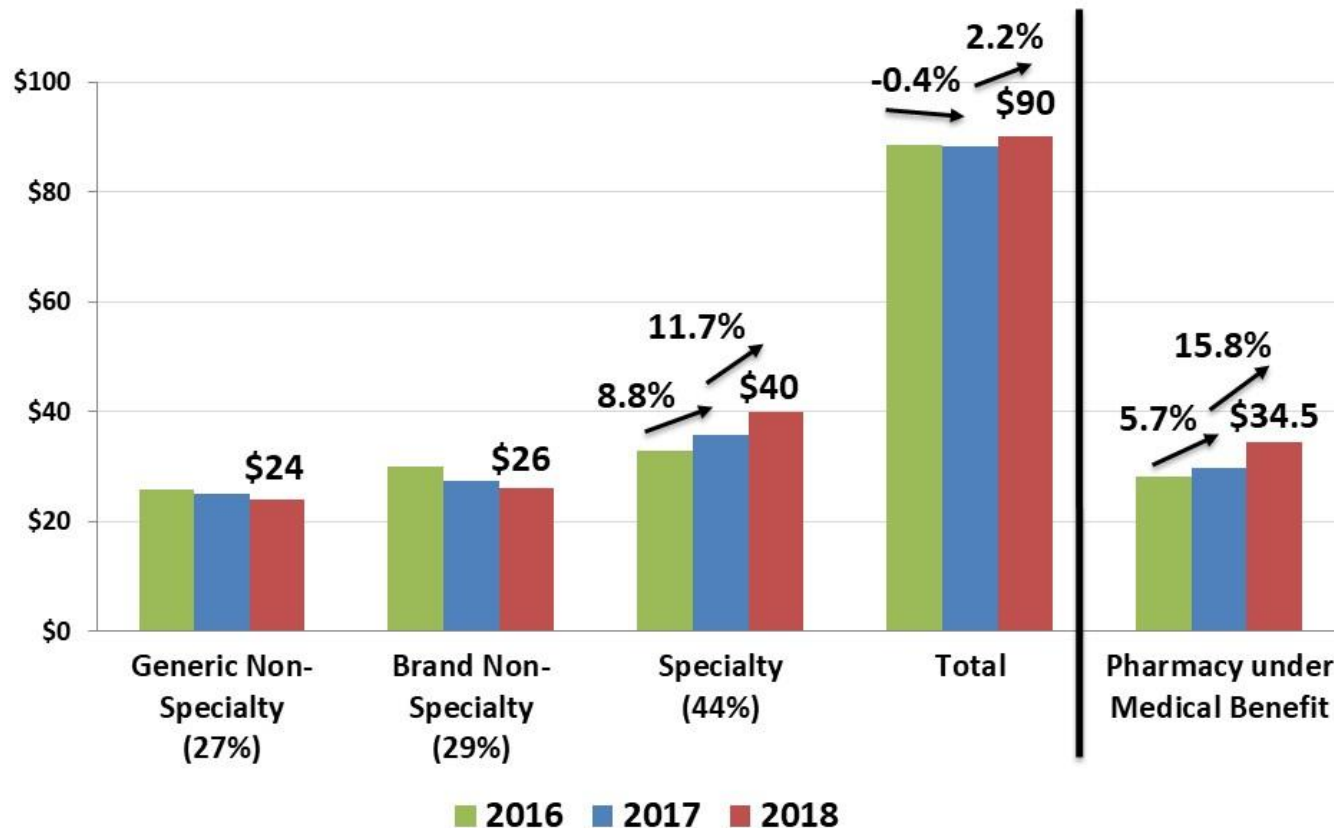
### Fully-Insured Allowed Claims Trend - Small and Large Group Markets



Source: NHID Annual Hearing data 2018 and 2019.

Pharmacy trends in 2018 were 2.2%, higher than the previous year, driven by higher specialty pharmacy trends in 2018 compared to 2017.

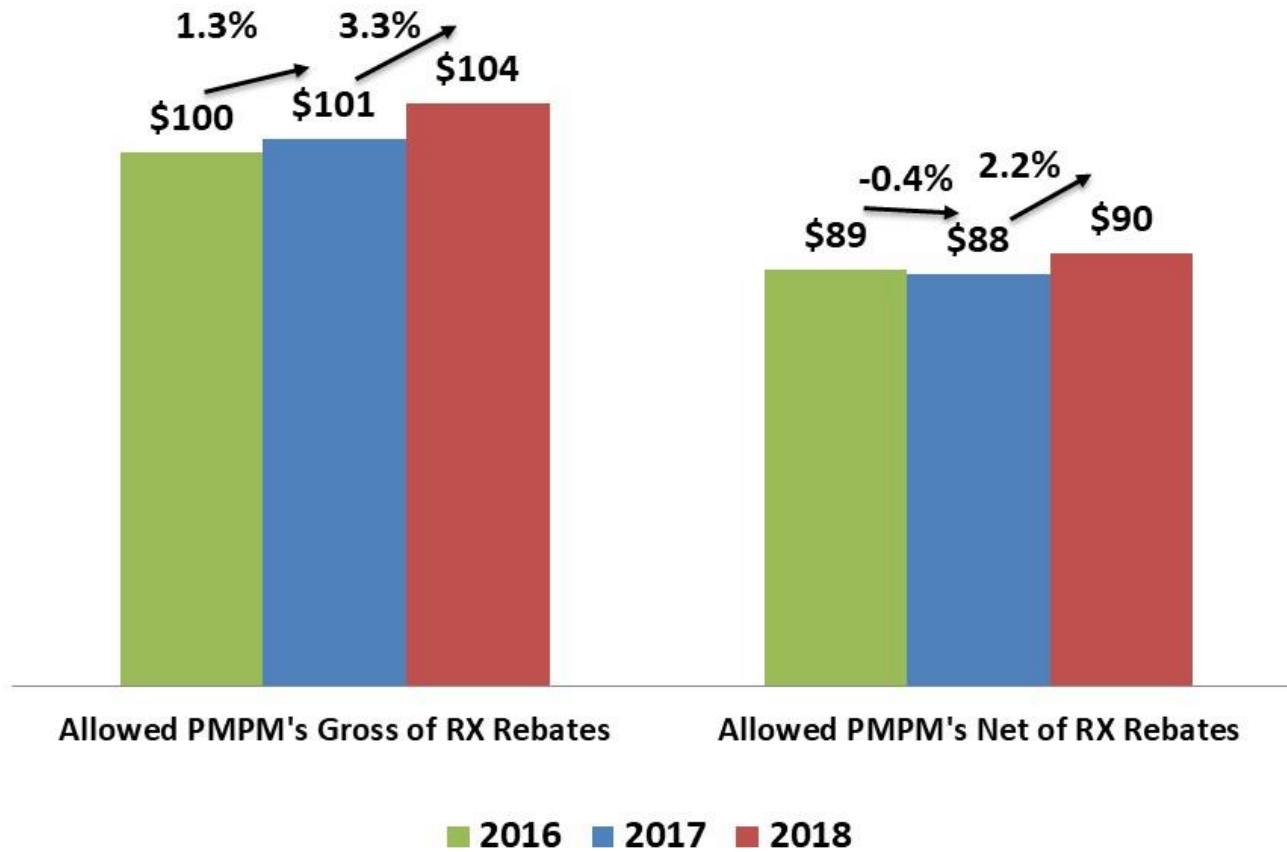
### Pharmacy Allowed Claims PMPM - Small Group and Large Group



Source: NHID Annual Hearing data 2018 and 2019.

Prescription drug rebates increased at a faster rate than pharmacy costs, lowering overall pharmacy spend.

Pharmacy Allowed Claims PMPM Gross and Net of Rebates -  
Small Group and Large Group

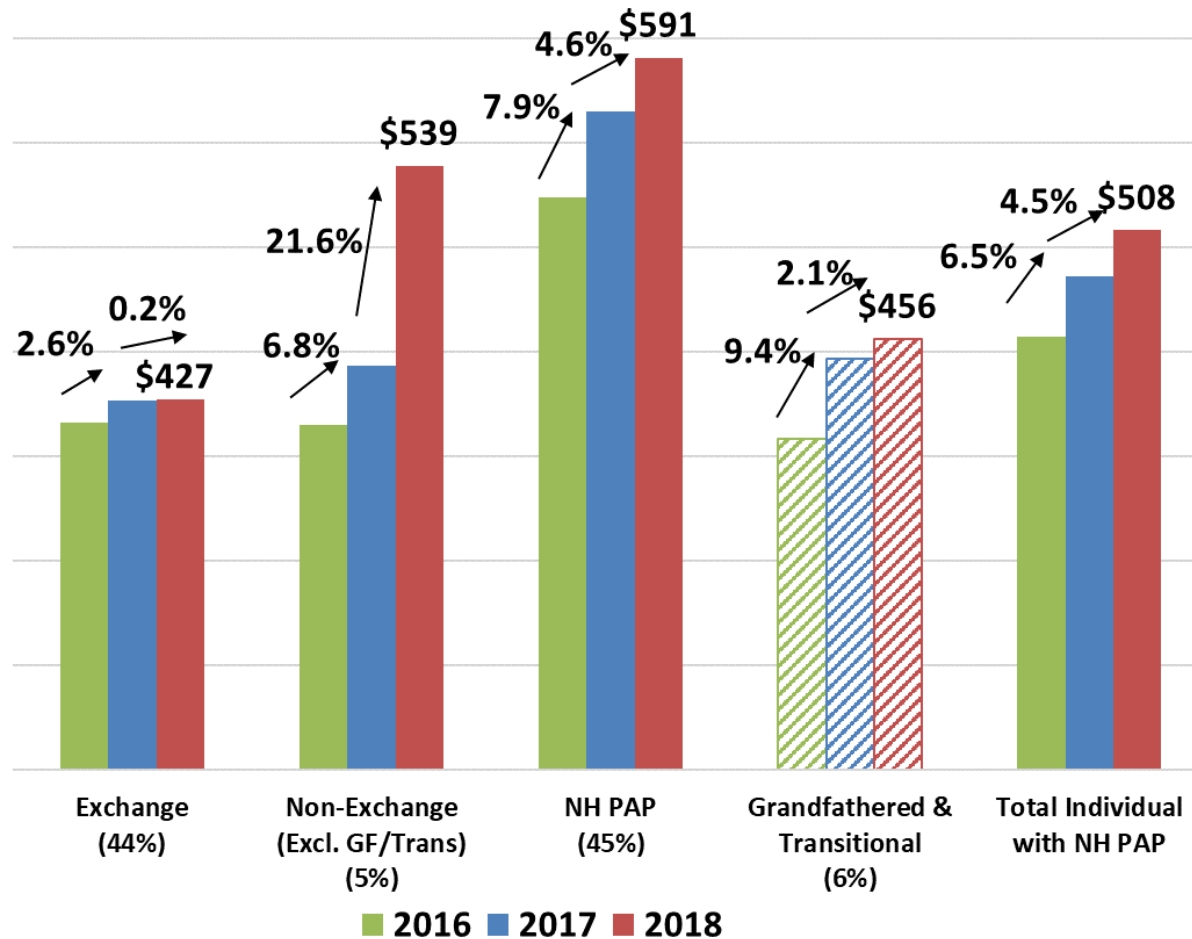


Source: NHID Annual Hearing data 2018 and 2019.



# Overall claim trends in the Individual Market were lower in 2018 compared to 2017.

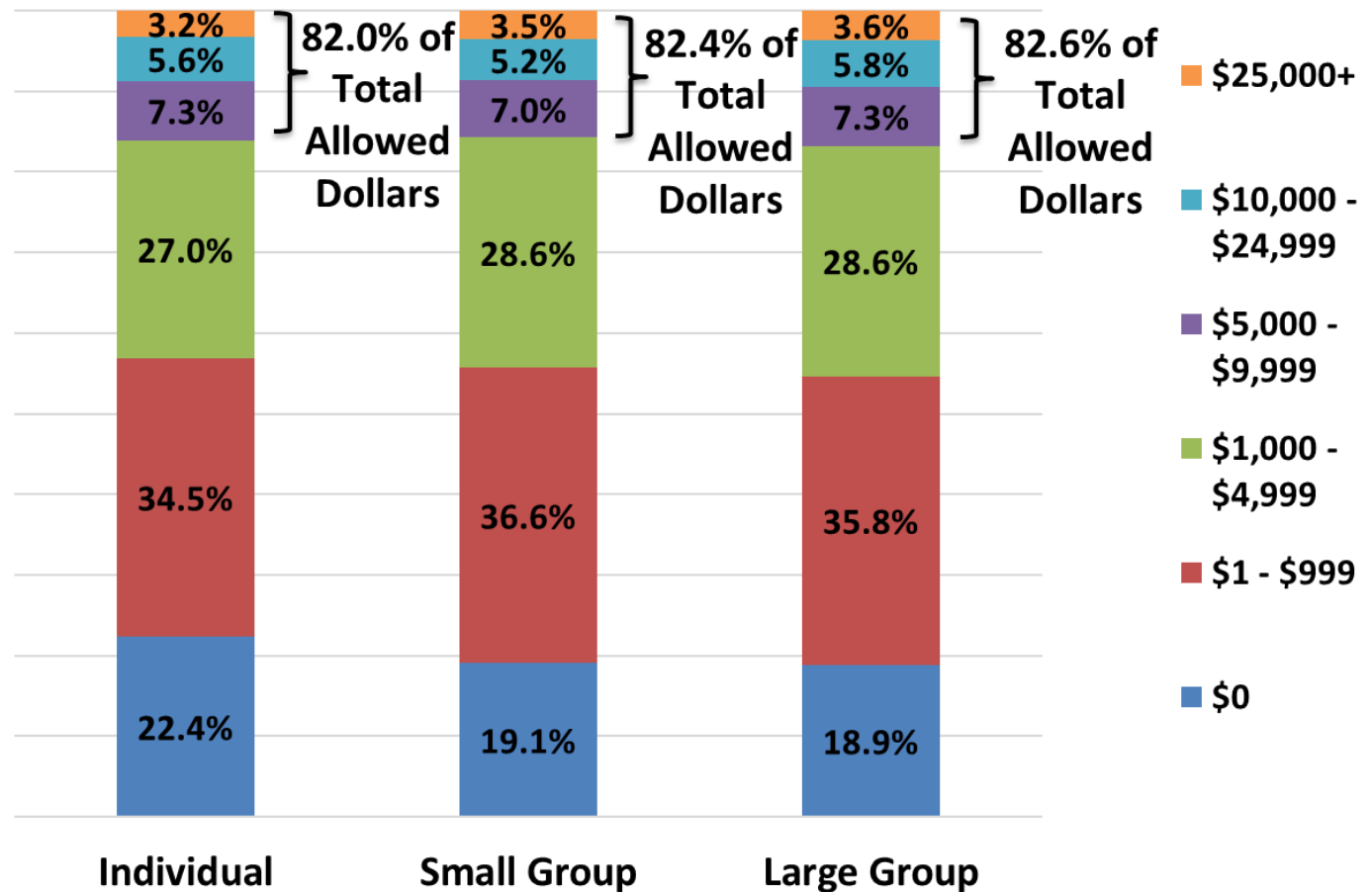
## Individual Market - Total Allowed Claims PMPM



Source: NHID Annual Hearing data 2018 and 2019.

16% to 17% of the highest cost members contributed 82% to 83% of total allowed costs in 2018.

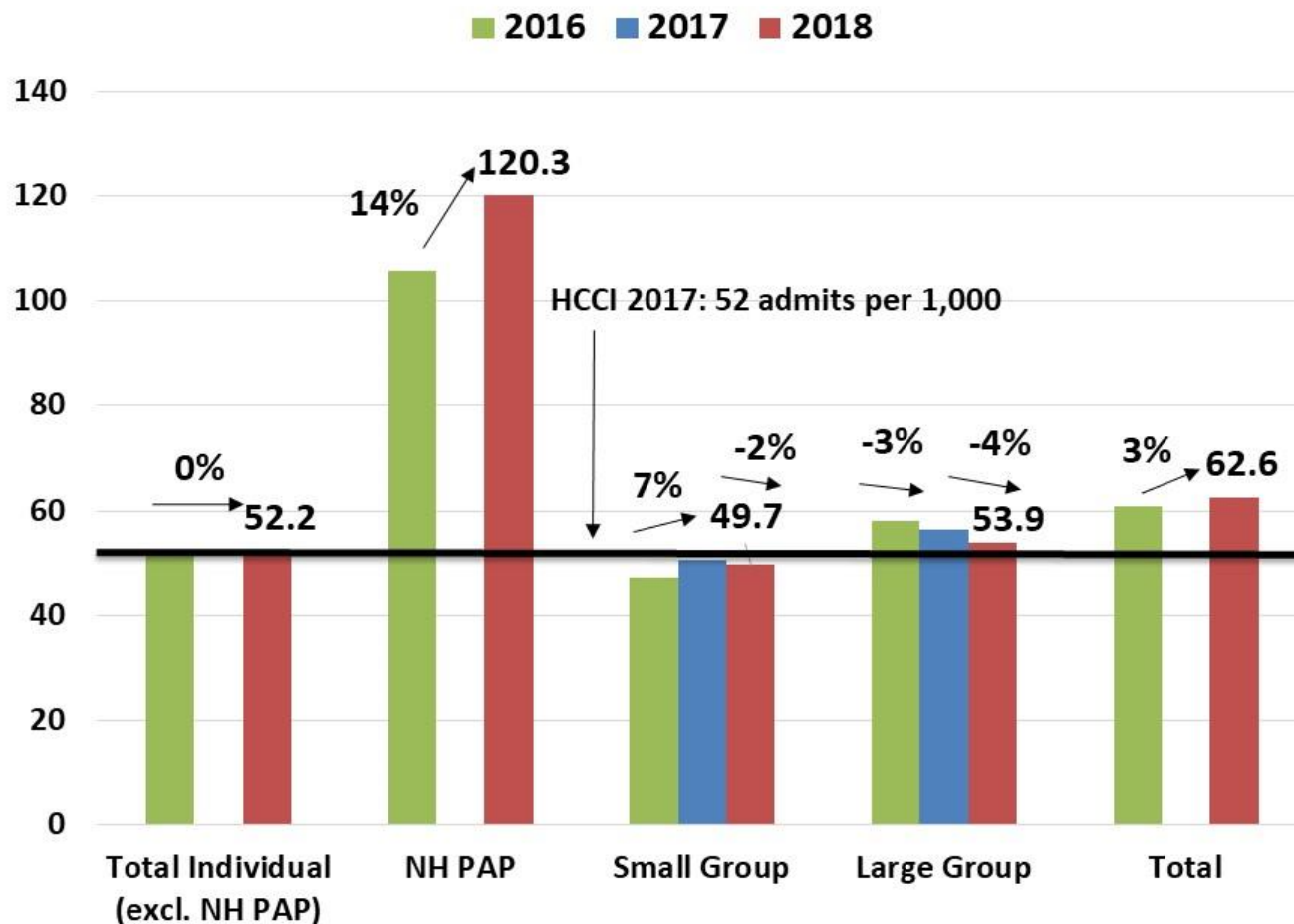
2018 Distribution of Members by Allowed Claims Level



Source: NHID Annual Hearing data 2018 and 2019. Individual Market includes NH PAP.

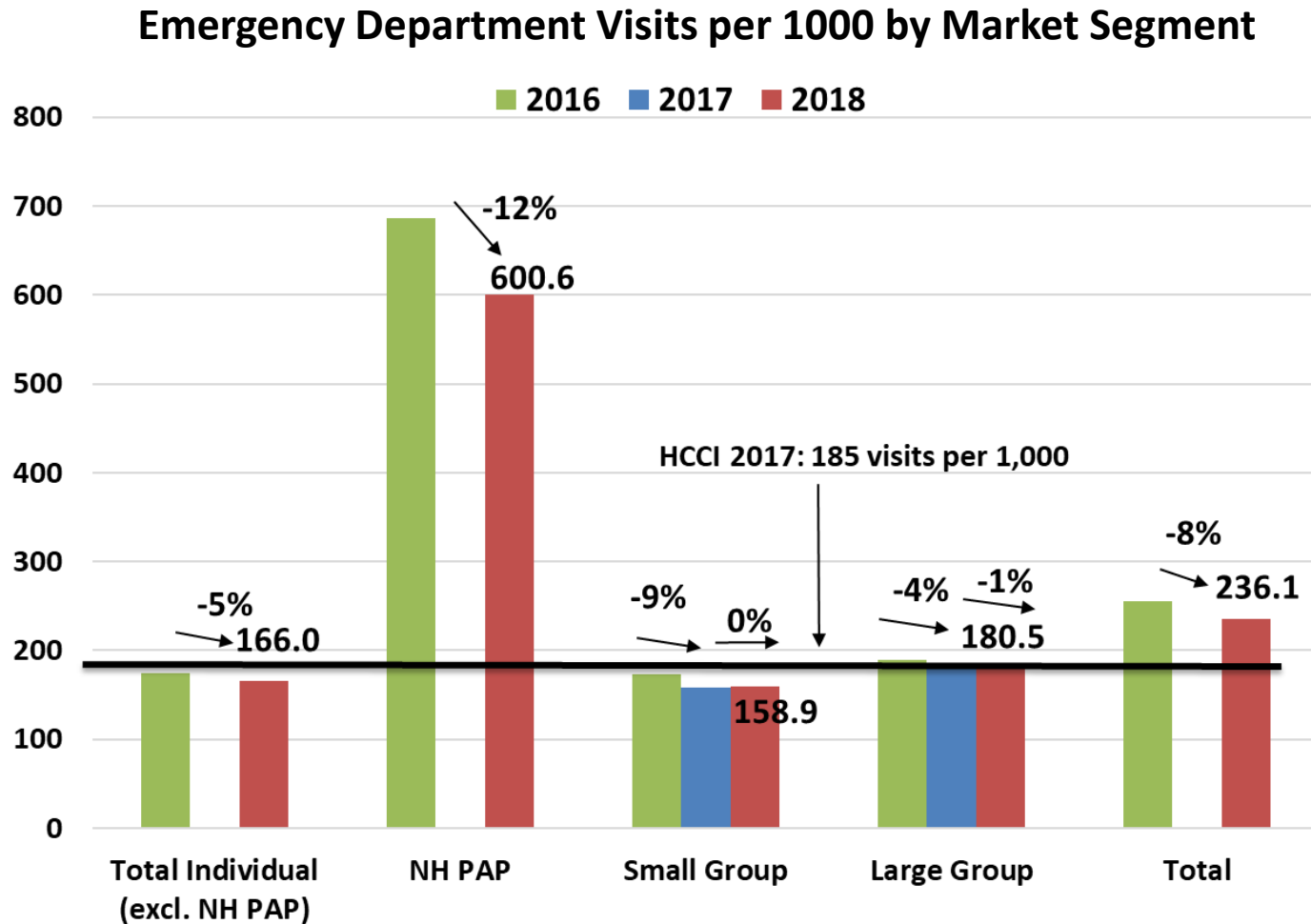
# Inpatient admissions utilization decreased in the Group Markets in 2018.

Inpatient Admits per 1000 by Market Segment



Source: NHID Annual Hearing data 2017 and 2019. Data was not available for Minuteman for 2017.

# Emergency Department utilization decreased in all segments in 2018.



Source: NHID Annual Hearing data 2017 and 2019. Data was not available for Minuteman for 2017.

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# Medical Loss Ratios, Expenses, and Profits

In the Individual Market, Matthew Thornton was assessed with a \$38M payment for 2018 Risk Adjustment.

Individual Market - Federal Risk Adjustment Program				
	2016 Risk Adjustment (\$ millions)	2017 Risk Adjustment (\$ millions) <u>ORIGINAL</u>	2017 Risk Adjustment (\$ millions) <u>REVISED</u>	2018 Risk Adjustment (\$ millions)
Celtic Insurance Company	\$17.3	\$14.4	\$0.0	\$16.0
Harvard Pilgrim Health Care of NE	\$0.4	\$15.8	\$0.0	\$21.8
Maine Community Health Options	\$8.2	\$0.0	\$0.0	\$0.0
Matthew Thornton Hlth Plan	(\$0.5)	\$8.9	\$0.0	(\$37.8)
Minuteman Health, Inc.	(\$25.4)	(\$39.1)	n/a	n/a
Time Insurance Company	n/a	n/a	\$0.0	n/a
<b>Total</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Total Amount Distributed</b>	<b>\$25.9</b>	<b>\$39.1</b>	<b>\$0.0</b>	<b>\$37.8</b>

**\*Negative = Company was a PAYER; Positive = Company was a RECEIVER**

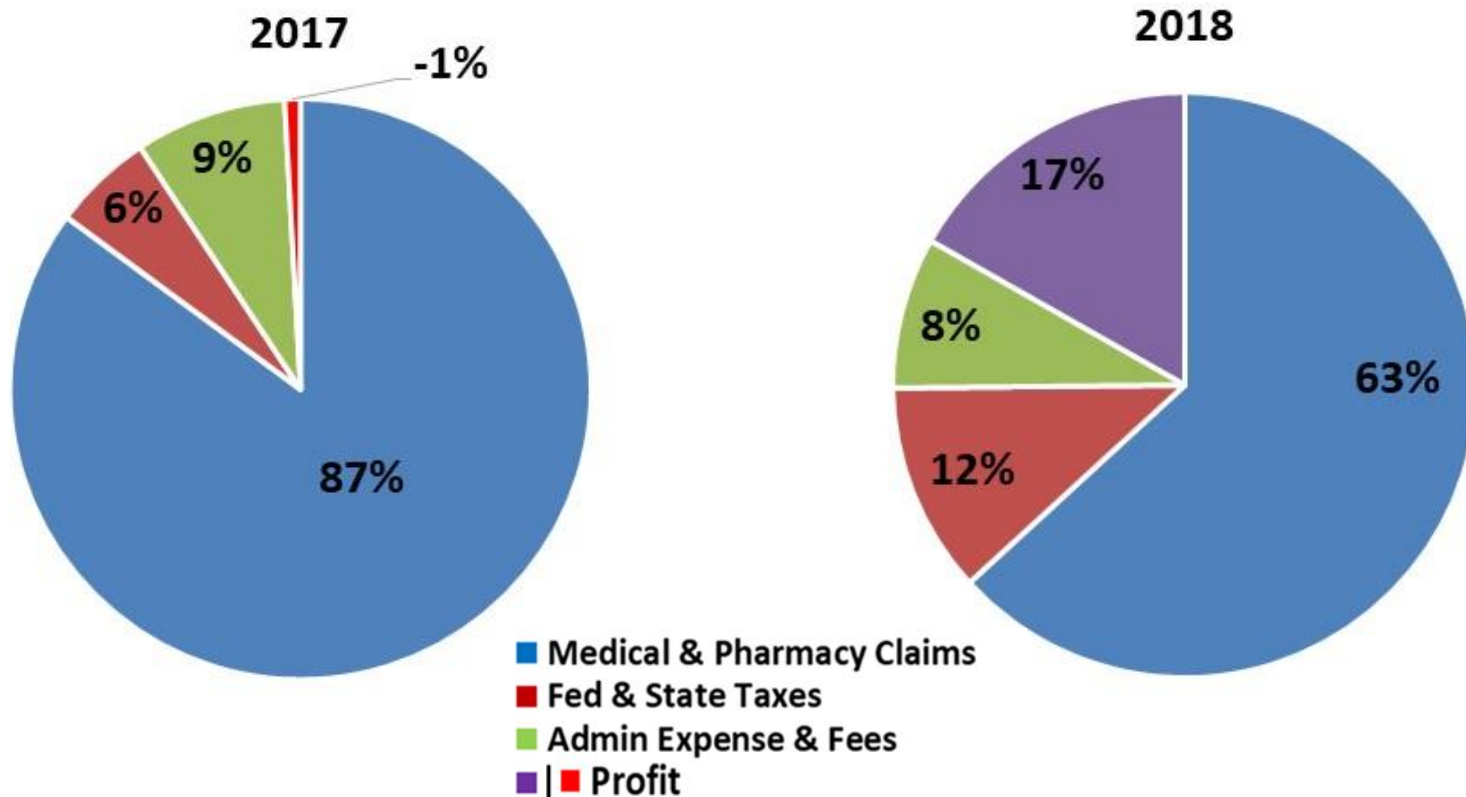
Note: Celtic Insurance Company is also referred to as Ambetter.

Source: CMS SUMMARY REPORT ON PERMANENT RISK ADJUSTMENT TRANSFERS FOR THE 2018 BENEFIT YEAR Released: June 28, 2019.

<https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Summary-Report-Risk-Adjustment-2018.pdf>.

87% of premium in the Individual Market was spent on medical and pharmacy claims in 2017. This decreased significantly to 63% in 2018.

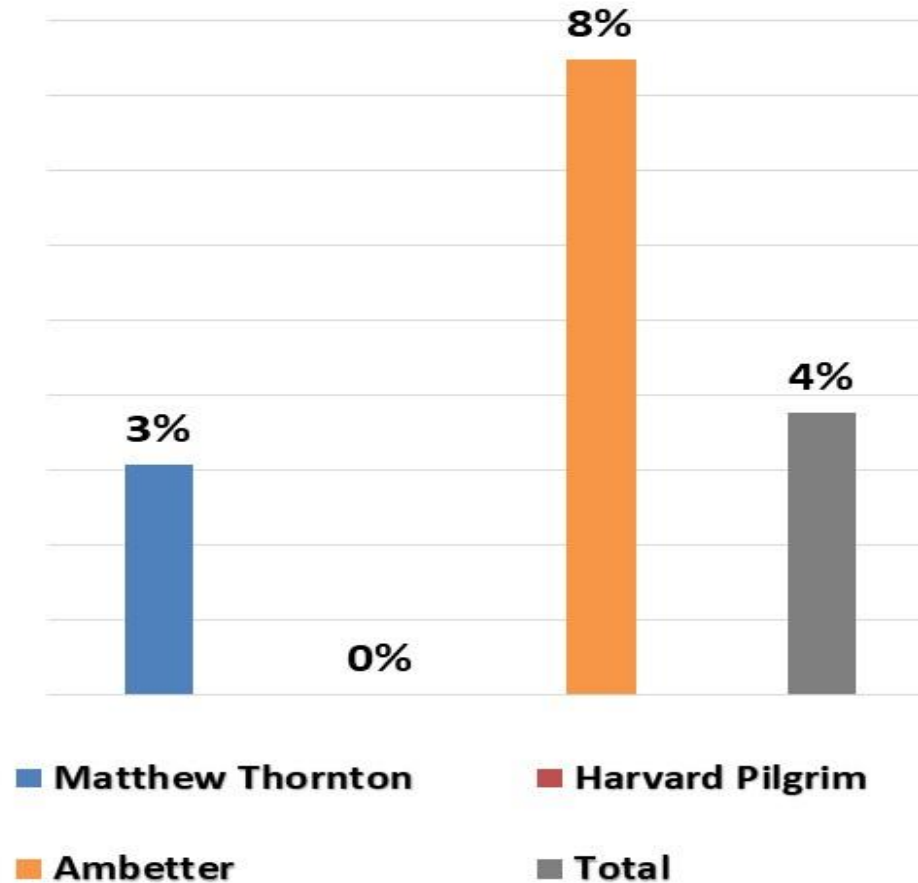
2017 and 2018 Individual Market Fully-Insured Distribution of Premium



Source: 2017 and 2018 federal MLR reports provided by carriers. Anthem provided additional information for FEHBP to make necessary adjustments to exclude from Large Group. Fully-insured. Adjusted for MLR rebate payments.

# Two out of the three insurers paid rebates in 2019 based on 2018 Federal MLR forms for a total of 4% of premium.

**MLR Rebates as Percentage of Premium Paid in 2019 based 2018 Federal MLR Forms**



Source: 2018 federal MLR reports provided by carriers.



In the Small Group Market, Tufts (the new market entrant) will pay about 73% of the risk adjustment payments in 2018.

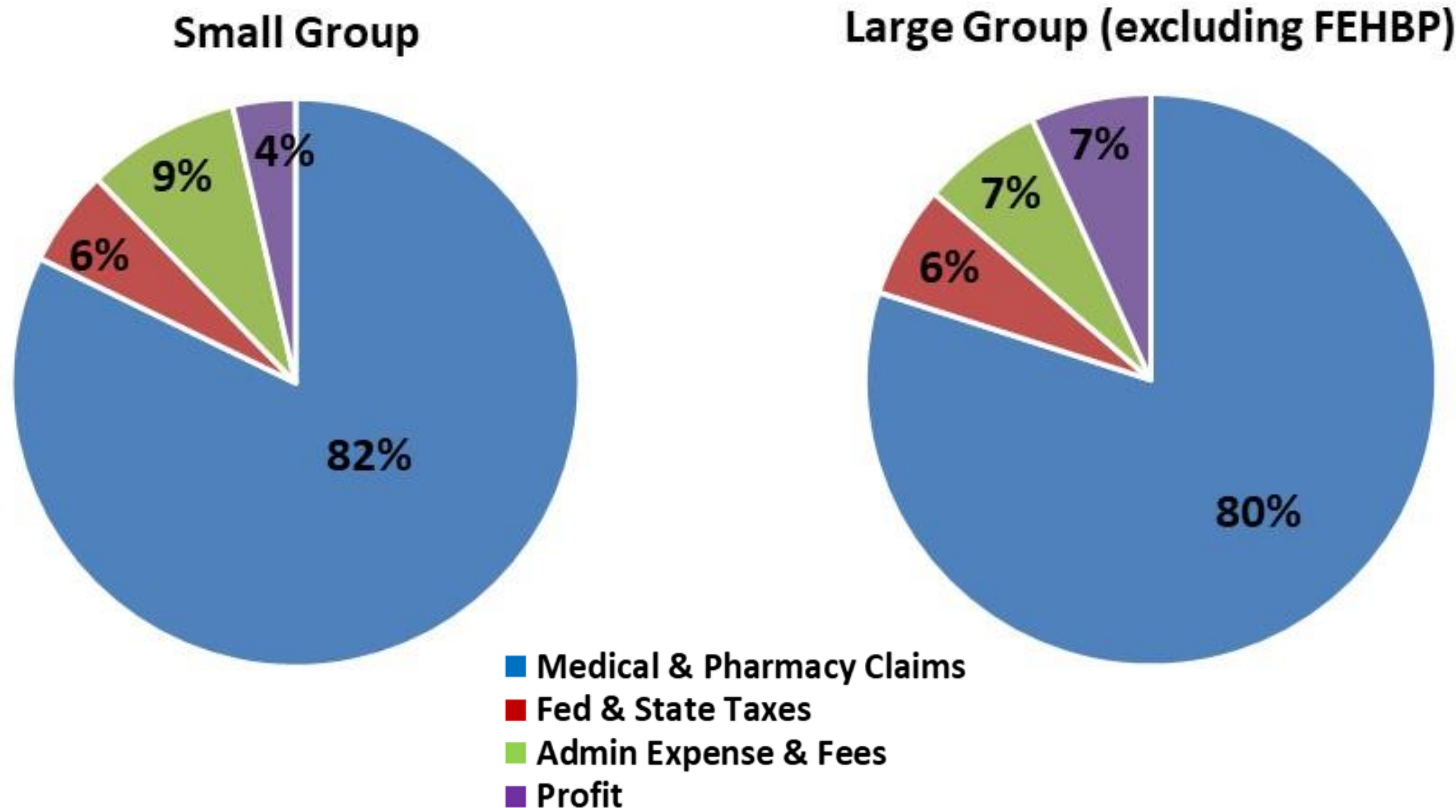
Small Group Market - Federal Risk Adjustment Program				
	2016 Risk Adjustment (\$ millions)	2017 Risk Adjustment (\$ millions) <u>ORIGINAL</u>	2017 Risk Adjustment (\$ millions) <u>REVISED</u>	2018 Risk Adjustment (\$ millions)
Anthem Health Plans of NH	\$1.9	\$0.8	\$0.7	\$0.3
Harvard Pilgrim Health Care of NE	(\$2.6)	\$0.1	\$0.1	(\$1.2)
HPHC Insurance Company, Inc	\$1.9	\$5.1	\$4.8	\$4.3
Maine Community Health Options	(\$2.8)	(\$1.3)	(\$1.3)	n/a
Matthew Thornton Hlth Plan	\$2.4	(\$1.4)	(\$1.4)	\$3.3
Minuteman Health, Inc.	(\$0.0)	(\$0.3)	\$0.0	n/a
Tufts Health Freedom Insurance Company	(\$0.5)	(\$3.3)	(\$3.3)	(\$5.7)
UnitedHealthcare Insurance Company	(\$0.2)	\$0.4	\$0.3	(\$0.9)
<b>Total</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Total Amount Distributed</b>	<b>\$6.2</b>	<b>\$6.3</b>	<b>\$6.0</b>	<b>\$7.8</b>

**\*Negative = Company was a PAYER; Positive = Company was a RECEIVER**

Source: CMS SUMMARY REPORT ON PERMANENT RISK ADJUSTMENT TRANSFERS FOR THE 2018 BENEFIT YEAR Released: June 28, 2019, <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Summary-Report-Risk-Adjustment-2018.pdf>.

In 2018, 82% of premium in the Small Group Market and 80% of premium in the Large Group Market were spent on medical and pharmacy claims.

### 2018 Fully-Insured Distribution of Premium



Source: 2018 federal MLR reports provided by carriers. Anthem provided additional information for FEHBP to make necessary adjustments to exclude from Large Group. Fully-insured.

# New Hampshire Key Findings

- Individual Market membership excluding NH PAP decreased by 10,000 members in 2018 and by another 2,000 members in early 2019.
- Individual Market premiums increased significantly in 2018 while claims trends were fairly low, leading to rebate payments and large profit margins in 2018.
- Individual Market rates decreased in 2019, but are still significantly higher than 2017 levels.
- Group Market claims trends are higher in 2018 compared to 2017 driven by outpatient facility which includes a large portion of the pharmacy under the medical benefit claims.
- Pharmacy trends were higher than previous years driven by specialty pharmacy trends. Pharmacy under the medical benefit trends also continued to be high.